


Government
Publication

Government
Publications

CAI
AG
- ASS





Digitized by the Internet Archive
in 2012 with funding from
University of Guelph, University of Windsor, York University and University of Toronto Libraries



CANADA

REPORT OF THE AUDITOR GENERAL
TO THE HOUSE OF COMMONS

for the
FISCAL YEAR ENDED MARCH 31

1960

1959/60





CANADA

**REPORT OF THE AUDITOR GENERAL
TO THE HOUSE OF COMMONS**

for the

FISCAL YEAR ENDED MARCH 31

1960

1959/60

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1960

Price 50 cents Cat. No. FA1-1960

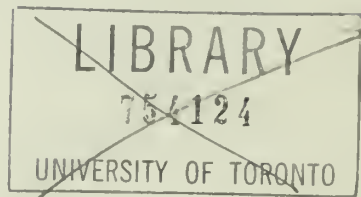


TABLE OF CONTENTS

	PAGE
Introduction	5
The Audit Approach	6
The Public Accounts	7
Cost of Operations	8
Form of the Estimates	9
Summary of Expenditure and Revenue	9
Expenditure	10
Revenue	13
Comments on Expenditure and Revenue Transactions	16
Summary of Assets and Liabilities	39
Assets	40
Liabilities	44
Net Debt	48
Comments on Asset and Liability Items	49
Crown Corporations	53
Agency Corporations	55
Proprietary Corporations	58
Departmental Operating Activities	63
Special Statutory Audits and Examinations	70

APPENDIX

Statement of Expenditure and Revenue	1
Statement of Assets and Liabilities	2
Summary of Appropriations, Expenditure and Unexpended Balances, by Departments..	3
Summary of Expenditure, by Standard Objects, with Comparative Figures for the Preceding Fiscal Year	4
Summary of Revenue, by Departments	5

THE functions and responsibilities of the Auditor General of Canada are outlined in Part VII of the Financial Administration Act. Section 70 of the Act requires that the Auditor General report annually to the House of Commons on the results of his examinations of the accounts of Canada.

2. My examinations of the departmental accounts for the fiscal year ended March 31, 1960 were made in conformity with Section 67 of the Financial Administration Act which reads as follows:

"The Auditor General shall examine in such manner as he may deem necessary the accounts relating to the Consolidated Revenue Fund and to public property and shall ascertain whether in his opinion

- (a) the accounts have been faithfully and properly kept,
- (b) all public money has been fully accounted for, and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of the revenue,
- (c) money has been expended for the purposes for which it was appropriated by Parliament, and the expenditures have been made as authorized, and
- (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public property."

3. In addition, Section 70 of the Financial Administration Act contains the following direction:

"The Auditor General shall report annually to the House of Commons the results of his examinations and shall call attention to every case in which he has observed that

- (a) any officer or employee has wilfully or negligently omitted to collect or receive any money belonging to Canada,
- (b) any public money was not duly accounted for and paid into the Consolidated Revenue Fund,
- (c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by Parliament,
- (d) an expenditure was not authorized or was not properly vouched or certified,
- (e) there has been a deficiency or loss through the fraud, default or mistake of any person, or
- (f) a special warrant authorized the payment of any money,

and to any other case that the Auditor General considers should be brought to the notice of the House of Commons."

Comments upon the cases brought to the notice of the House under this direction are to be found in paragraphs 41 to 84 of this report.

4. The Statement of Expenditure and Revenue for the year ended March 31, 1960, and the Statement of Assets and Liabilities as at that date, prepared by the Department of Finance for inclusion in the Public Accounts, have been examined and certified by me as required by Section 69 of the Financial Administration Act, subject to my comments in this report to the House of Commons. Copies of these financial statements are attached hereto as Appendices 1 and 2, respectively. Copies of the Summary of Appropriations, Expenditure and Unexpended Balances, by Departments, and of the Summary of Revenue, by Departments, as included in the Public Accounts, are given as Appendices 3 and 5, respectively.

5. The report contains explanatory notes in paragraphs 22 to 29 regarding some of the major changes between the 1959-60 and 1958-59 expenditures, by appropriation headings. There is also submitted a Summary of Expenditure by Standard Objects (Appendix 4) comparing the 1959-60 expenditures with those of 1958-59, by the headings used in the Details of the Estimates.

The Audit Approach

6. My examinations were conducted on a test basis during the year in accordance with past practice, the extent of the tests varying according to the nature of the transactions and the effectiveness of the internal control. The tests were supplemented by a general review of the accounting procedures in the departments and other agencies under examination—which comprised all departments, Crown corporations and other instrumentalities of the Government of Canada, excepting those listed in paragraph 113, whose accounts were examined by other auditors.

During the course of our examinations, members of the staff of the Audit Office were given full access to all vouchers, records and files of the various departments, Crown corporations and other agencies. In addition, they were provided with all supplementary information and explanations required during the course of their work. I should like to express my appreciation for the cooperation so readily extended by departmental and Treasury officers and by the administrative and accounting officers of Crown corporations and other agencies. Their cooperation greatly facilitated the audit work.

7. The Audit Office is developing what may be termed the comprehensive audit approach. This involves little change in the basic auditing program followed heretofore. Broadly speaking, it continues to require that in undertaking an examination of the financial affairs of a department, Crown corporation or other agency, the auditor must make a complete study of the governing legislation and obtain an understanding of the agency's basic function. In addition, he must study the organization with which its management is carrying out that function and understand the policies under which it operates.

As a result of his detailed knowledge of the operations of the agency obtained during the course of his audit, the auditor is in a position to work constructively with its

management in evaluating the effectiveness of its internal control procedures, and in improving the cost controls. This aspect of the work is being extended as circumstances permit.

8. In approaching its work in this manner, the Audit Office is fulfilling an important function by helping its clients to improve and develop their efficiency through the medium of effective periodic accounting statements and financial reports, the basic tools necessary to control costs.

Government departments and other agencies by their very nature do not possess the profit incentive to control costs such as exists in private enterprise. They must accordingly develop their own efficiency yardsticks in administering public funds, not only to ensure that expenditure is adequately controlled but that "built-in costs", which can so often escape the notice of the best intentioned managements, come under constant scrutiny and revision.

9. Detailed reports addressed to the managements of departments, Crown corporations and other agencies are currently being issued by the Audit Office covering the results of its examinations. These reports, patterned after those in widespread use among professional accountants in private practice, outline the scope of the audit, give a broad summary of the operations for the year under review, analyse the financial results in comparison with those of previous years and make available to the management comments and suggestions regarding weaknesses in internal control, savings that might be achieved and other matters noted during the course of the audit.

The Public Accounts

10. Pursuant to Section 63 of the Financial Administration Act, the Minister of Finance is responsible for the manner in which the accounts of Canada are maintained, and Section 64 requires that an annual report, called the Public Accounts, be laid by him before the House of Commons.

The Public Accounts constitute, in effect, Canada's Annual Financial Report to its shareholders, the general public. As such, it should conform to the highest standards of financial reporting in the country and be presented in a clear and concise manner without being encumbered with unnecessary detail. Only in this way can Parliament and the public be expected to give the accounting the attention it deserves.

Progress has been made during the past several years and again this year towards achieving this objective which is a matter of continuing study by the Department of Finance. However, much still remains to be done. For example, the listings of suppliers and contractors receiving \$10,000 and over through each department might be eliminated from the Public Accounts in favour of simply providing the information on specific request. On the other hand, additional information might be given in some areas, for example, comprehensive audited financial statements could be included for certain departmental operating activities as suggested in paragraph 148 of this report.

Cost of Operations

11. The accounting that the Public Service makes with respect to Canada's financial affairs today is based on a long tradition of scrupulous care and honesty of purpose. It is second to none among the public services of the world in the way it seeks to safeguard and account for the funds entrusted to it by Parliament. Its performance is not to be condemned simply because instances of waste or lack of judgment in specific transactions require disclosure under our parliamentary system. Such instances can be found in varying degree in the best managed commercial operations.

Accounting in government as it has developed over the years is a natural outcome of the parliamentary system. It has been designed basically to ensure that expenditures are made in accordance with parliamentary authority. This is the essential function. Of considerable importance, however, is the necessity for the accounting to provide complete and accurate costs of the individual activities or operations and the development of reliable yardsticks against which their efficiency can be measured. Only in this way can value for money spent be reasonably assured.

12. It is a recognized fact that the cost of operations of a private business, including the cost of its administration as well as the manufacture of its product, must be kept under constant examination if management is to control the operations effectively and economically. Only by having accurate figures with which to measure costs can the operations be examined in depth on an informed and constructive basis. There would seem to be an even greater need in the case of government activities for such detailed examination because the funds employed are public funds entrusted to the Government by the citizens of the country.

13. However, under existing governmental practice, the appropriations for each department provide only for the cash estimated to be required during the fiscal year to discharge the direct costs of the department. They do not ordinarily provide for charges for office or other premises occupied because these costs, including rentals paid, are usually recorded as budgetary expenditures of a single department, namely, the Department of Public Works. The office furniture and fixtures required by the various departments are similarly recorded. Likewise, departmental mail is generally carried without charge to departments, with the cost absorbed by the Post Office; and telephone charges in Ottawa, except long distance charges, are borne by an appropriation for the Department of Finance. In general, where occasional services are performed by one department for another, no inter-departmental billings are issued. Generally, also, where departmental labour is used in construction work, the cost is not charged to the appropriation for the capital cost of the work. In all these circumstances, although the expenditure total may be correct for the departmental services as a whole, expenditures are thus erroneously stated for individual departments and appropriations.

I believe that early consideration should be given to remedying these accounting anomalies and inconsistencies in order that the accounts relating to parliamentary appropriations may more accurately record the expenditures incurred for the various services.

14. It is universally recognized in all large business and financial operations that accurate internal periodic accounting statements, tailored to meet the particular requirements of the activity, are essential for effective management control of the costs of operations.

If the practices to which I have referred were changed, periodic accounting statements prepared for management purposes by departmental administrative officers would obviously give a more accurate picture of the operations. As a consequence, they would become more effective instruments in the hands of departmental managements in the control of their expenditures.

Form of the Estimates

15. The form of the annual Estimates, a responsibility of the Treasury Board, is important from the accounting point of view because it determines in large measure the manner in which the subsequent accounting for expenditures is maintained and reported in the Public Accounts. This in turn is important to the Auditor General because of his responsibilities to Parliament.

16. Informed consideration of the Estimates by the House of Commons before the money is voted is all-important. For this reason, consideration should be given to the form of the Estimates presentation with a view to providing more meaningful information, for example, by:

- (a) comparing the amounts estimated for the ensuing year directly with the anticipated actual expenditure for the current year, as well as with the amounts that had been estimated for the current year;
- (b) giving the estimated amounts in three columns: estimated expenditure (gross); estimated revenue; and net requirements to be voted (thus giving Parliament an opportunity to consider the sufficiency of receipts for services rendered, in relation to the costs incurred);
- (c) including both operating and capital budgets of Crown corporations, even where funds will be forthcoming in full from corporate resources (thus giving Parliament an opportunity to consider broad policies associated with their operations); and
- (d) including appropriate explanations in all cases where expenditures proposed for the year involve commitments for future years.

Summary of Expenditure and Revenue

17. The Statement of Expenditure and Revenue for the year ended March 31, 1960, prepared by the Department of Finance for inclusion in the Public Accounts, is given as Appendix 1 to this report. It shows expenditure totalling \$5,703 million and revenue

amounting to \$5,290 million. The deficit for the year was, therefore, \$413 million compared with \$609 million in the preceding fiscal year and \$38 million in 1957-58.

18. The actual results for the year ended March 31, 1960 compare with the estimated expenditure, revenue and deficit, respectively, as forecast by the Minister of Finance in his Budget Speech on April 9, 1959, as follows:

	Estimated	Actual
Expenditure	\$ 5,660 million	\$ 5,703 million
Revenue	5,267 million	5,290 million
Deficit	<u>\$ 393 million</u>	<u>\$ 413 million</u>

Expenditure

19. The Summary of Appropriations, Expenditure and Unexpended Balances, by Departments for the year ended March 31, 1960, prepared for inclusion in the Public Accounts and given as Appendix 3 to this report, shows appropriations amounting to \$6,046 million, expenditures totalling \$5,703 million and unexpended balances of \$343 million.

20. Of the \$6,046 million of appropriations, \$2,296 million represented statutory appropriations, \$3,720 million was for appropriations granted under Appropriation Acts (Nos. 2, 4 and 5 of 1959, and Nos. 1 and 3 of 1960), and \$30 million was provided by continuing 1958-59 appropriations (Votes 709, 734 and 741).

The expenditure of \$5,703 million comprised, in addition to the \$2,296 million spent under statutory appropriations, amounts totalling \$3,407 million charged to the annual appropriations.

The unexpended balances of \$343 million lapsed at the end of the year in compliance with Section 35 of the Financial Administration Act with the exception of the unspent balances of \$14,625,000 and \$490,000, respectively, in Votes 615 and 648. These balances remained available for expenditure in 1960-61 because of the special wording in the appropriations, both of which were for continuing projects:

- Vote 615: Payments to provinces and in respect of Indian Bands under the Municipal Winter Works Incentive Program during the 1959-60 and 1960-61 fiscal years of amounts not exceeding one-half of the cost of labour incurred in the period from the 1st day of December, 1959, to the 30th day of April, 1960, in accordance with terms and conditions approved by the Governor in Council

\$15,000,000
- Vote 648: Expenses in connection with Canada's participation in the World Refugee Year and, notwithstanding section 35 of the Financial Administration Act, to authorize payments to be made pursuant to this vote up to the 1st day of April, 1961; there shall be charged to this vote and included in the unexpended balance of Vote 55 of the Main Estimates, 1959-60, an amount equal to the amount spent and charged to that vote in connection with the World Refugee Year

\$ 600,000

21. The following table summarizes the expenditure, by departments, for the fiscal year 1959-60, in comparison with the corresponding amounts for the two previous years:

Department	1957-58	1958-59	1959-60
Agriculture	\$ 94,661,000	\$ 165,842,000	\$ 181,390,000
Canadian Broadcasting Corporation	42,974,000	62,018,000	63,946,000
Citizenship and Immigration	51,805,000	52,844,000	54,917,000
External Affairs	60,209,000	75,486,000	96,895,000
Finance	1,187,362,000	1,228,205,000	1,420,155,000
Labour	81,695,000	86,756,000	102,885,000
Mines and Technical Surveys	36,135,000	43,789,000	54,432,000
National Defence	1,668,439,000	1,424,741,000	1,514,904,000
National Health and Welfare	662,730,000	872,917,000	818,371,000
National Revenue	67,709,000	68,788,000	68,696,000
Northern Affairs and National Resources ..	49,095,000	65,177,000	81,112,000
Post Office	153,320,000	157,803,000	165,792,000
Public Works	209,258,000	226,061,000	217,876,000
Royal Canadian Mounted Police	47,356,000	51,735,000	52,444,000
Trade and Commerce	56,939,000	65,636,000	67,443,000
Transport	206,734,000	288,838,000	296,447,000
Veterans Affairs	277,242,000	288,784,000	288,305,000
Other departments	133,748,000	138,620,000	156,851,000
	<u>\$ 5,087,411,000</u>	<u>\$ 5,364,040,000</u>	<u>\$ 5,702,861,000</u>

The amounts shown for the Department of National Health and Welfare do not include outlays under the Old Age Security Act, which were charged to the Old Age Security Fund (see paragraph 28).

In those cases where departmental expenditure totals for 1959-60 varied from those for 1958-59 by more than 5%, comments are made in the following paragraphs regarding the variations in individual appropriations or groups of appropriations which mainly accounted for the changes in the departmental totals.

22. *Agriculture.* The increase of \$16 million (9%) in expenditure by this department in 1959-60 compared with 1958-59 was due to payments of \$5 million in contributions to Western provinces for unharvested crops, and to increases of \$4 million (30%) in expenditures for rehabilitation and reclamation projects, and \$4 million (19%) in payments of freight assistance on Western feed grains. There was no outlay for acreage payments to Western grain producers in 1959-60 corresponding to the \$41 million of such payments in 1958-59, but this saving was more than offset by an increase of \$43 million in the amount appropriated towards the net operating loss in the Agricultural Commodities Stabilization Account.

23. *External Affairs.* The \$21 million (28%) increase in expenditure by this department resulted from increases of \$15 million (43%) in grants to the Colombo Plan Fund and \$6 million (54%) in contributions to international organizations. The latter increase was due mainly to the donation of dry skimmed milk and canned pork with a value of approximately \$4 million to international relief agencies during 1959-60.

24. *Finance.* Expenditures by this department rose by nearly \$192 million (16%) in the year under review. Public debt charges increased by \$135 million (21%) and

subsidies and tax-sharing payments to the provinces were up \$52 million (11%) over the preceding year.

25. *Labour.* The increase of \$16 million (19%) in expenditure by this department was mainly accounted for by increases of \$9 million (23%) in the government's contribution to the Unemployment Insurance Fund and of \$7 million in payments to the provinces in respect of winter works projects. The winter works program became operative only towards the close of the preceding fiscal year and the 1959-60 accounts were therefore the first to reflect charges for a full fiscal year.

26. *Mines and Technical Surveys.* The increase of \$11 million (23%) in expenditure by this department was mainly due to increases of \$6 million (68%) in payments by the Dominion Coal Board in respect of the movement of coal and \$3 million (34%) in payments under the Emergency Gold Mining Assistance Act.

27. *National Defence.* The expenditure figure for this department in 1959-60, when compared with the corresponding amount for the preceding year, indicates an increase of \$90 million or 6%. However, when \$212 million of outlays charged to the National Defence Equipment Account in 1958-59 are taken into consideration, there was, in fact, an overall decrease in expenditure of \$122 million or 7%. This decrease is partly accounted for by reductions of \$35 million (47%) in expenditure for Defence Research and Development and \$32 million (4%) in that for the Air Service. There was also a decrease of \$30 million (43%) in Mutual Aid expenditure, taking into consideration a change in the method of accounting, whereby the costs of equipment transferred from Service holdings and of aircrew training were borne by the Service appropriations instead of being charged against the Mutual Aid appropriation, as previously.

28. *National Health and Welfare.* The decrease of \$55 million (6%) in expenditure by this department mainly resulted from there being no charge in 1959-60 corresponding to that of \$184 million for the repayment of temporary loans to cover the deficiency in the Old Age Security Fund in 1958-59, with this saving being partially offset by increases of \$96 million (175%) in the government's contributions under the Hospital Insurance and Diagnostic Services Act, \$16 million (3%) in family allowances and \$16 million (68%) in unemployment assistance.

The absence of any expenditure charge in 1959-60 to cover the deficiency in the Old Age Security Fund was the result of the decision to carry forward to 1960-61 the 1959-60 temporary loan of \$28 million (representing the deficiency for that year) rather than to charge the amount as a budgetary expenditure, as in 1958-59. The following is a summary of the transactions in the Old Age Security Fund during the year ended March 31, 1960, in comparison with the two previous fiscal years:

	1957-58	1958-59	1959-60
Outlays charged	\$ 473,859,000	\$ 559,280,000	\$ 574,887,000
Collections credited	371,457,000	375,301,000	546,886,000
Deficiency	\$ 102,402,000	\$ 183,979,000	\$ 28,001,000

The considerable increase in payments of contributions towards programs of hospital insurance and diagnostic services administered by the provinces was due to 1959-60 being the first fiscal year in which any province participated for a full year.

29. *Northern Affairs and National Resources.* The \$16 million (24%) increase in expenditure by this department in 1959-60 compared with the preceding year was largely accounted for by an increase of \$12 million (45%) in expenditure by the Northern Administration and Lands Branch and of \$3 million (14%) in expenditure by the National Parks Branch. Of the \$12 million increase in expenditure by the Northern Administration and Lands Branch, the most significant increase was that of \$7 million in contributions to the provinces to assist in the development of the "roads to resources" program.

30. A Summary of Expenditure, by Standard Objects (i.e., according to the expenditure classification used in the Details of the Estimates) for the year ended March 31, 1960, compared with the corresponding amounts for the preceding fiscal year, is given as Appendix 4 to this report. Details of the expenditures, by standard objects and by departments, for the year ended March 31, 1960, are given in a statement in the Public Accounts, Part II, pages 4 to 9.

Revenue

31. The revenue for the fiscal year 1959-60 totalled \$5,290 million (Appendix 1), an increase of \$535 million over the preceding year. The following table summarizes the revenue, by principal sources, in comparison with the corresponding amounts for the two previous years:

	<u>1957-58</u>	<u>1958-59</u>	<u>1959-60</u>
Tax Revenues:			
Personal income tax	\$ 1,499,788,000	\$ 1,353,500,000	\$ 1,566,644,000
Corporation income tax	1,234,807,000	1,020,550,000	1,142,880,000
Income tax on dividends, interest, etc., going abroad	64,334,000	61,213,000	73,353,000
Sales tax	703,170,000	694,491,000	732,658,000
Other excise taxes	249,421,000	240,624,000	286,568,000
Customs duties	498,069,000	486,509,000	525,722,000
Excise duties	300,133,000	316,744,000	335,207,000
Estate tax	71,608,000	72,535,000	88,431,000
Other tax revenues	1,498,000	1,213,000	877,000
Non-tax Revenues:			
Return on investments	169,424,000	221,204,000	239,654,000
Net postal revenue	152,860,000	157,541,000	167,562,000
Other non-tax revenues	103,676,000	128,599,000	130,195,000
	<u>\$ 5,048,788,000</u>	<u>\$ 4,754,723,000</u>	<u>\$ 5,289,751,000</u>

32. The amounts shown for income taxes and sales tax do not include collections of tax levied under the Old Age Security Act on personal and corporation incomes and on

sales. This tax was increased from 2% to 3% effective January 1, 1959 on corporation income, July 1, 1959 on personal income and April 10, 1959 on sales. The collections were credited to the Old Age Security Fund as follows:

<u>Old Age Security Tax</u>	<u>1957-58</u>	<u>1958-59</u>	<u>1959-60</u>
On sales	\$ 175,792,000	\$ 173,623,000	\$ 270,000,000
On personal incomes	135,001,000	146,350,000	185,550,000
On corporation incomes	60,664,000	55,328,000	91,336,000
	<u>\$ 371,457,000</u>	<u>\$ 375,301,000</u>	<u>\$ 546,886,000</u>

The outlays charged to the Fund during the three-year period, together with the collections credited and the resultant deficiencies, are referred to in paragraph 28.

33. The following is a summary of the excise taxes, other than sales tax, collected during the year ended March 31, 1960, in comparison with the corresponding amounts for the two previous years:

<u>Excise Tax</u>	<u>1957-58</u>	<u>1958-59</u>	<u>1959-60</u>
Cigarettes	\$ 121,493,000	\$ 127,148,000	\$ 163,608,000
Automobiles	72,331,000	59,308,000	64,281,000
Manufactured tobacco	18,368,000	18,175,000	19,292,000
Television sets and tubes	10,005,000	10,241,000	9,387,000
Phonographs, radios and tubes	6,855,000	7,557,000	8,372,000
Toilet articles and preparations	6,269,000	6,824,000	7,651,000
Jewellery, clocks, watches, chinaware, etc.	5,353,000	5,599,000	5,609,000
Wines	2,744,000	3,140,000	3,027,000
Cigars	2,556,000	2,673,000	2,603,000
Sundry excise taxes	4,172,000	2,530,000	3,099,000
Refunds and drawbacks	-725,000	-2,571,000	-361,000
	<u>\$ 249,421,000</u>	<u>\$ 240,624,000</u>	<u>\$ 286,568,000</u>

The increase of \$36 million (29%) in revenue from the tax on cigarettes in 1959-60 compared with the preceding year was mainly due to the increase in the tax rate of two cents per package of 20 cigarettes which came into effect on April 10, 1959.

34. A listing of the excise duties collected during the year ended March 31, 1960 with comparable figures for the two previous years is given in the following table:

<u>Excise Duty</u>	<u>1957-58</u>	<u>1958-59</u>	<u>1959-60</u>
Cigarettes	\$ 123,301,000	\$ 132,547,000	\$ 136,931,000
Spirits	83,653,000	96,551,000	102,354,000
Beer	88,226,000	83,058,000	90,704,000
Other excise duties	8,417,000	8,688,000	9,279,000
Refunds and drawbacks	-3,464,000	-4,100,000	-4,061,000
	<u>\$ 300,133,000</u>	<u>\$ 316,744,000</u>	<u>\$ 335,207,000</u>

The increase in revenue from duties on spirits in 1959-60 was due mainly to an increase in the duty rate of one dollar per proof gallon effective April 10, 1959.

35. The following is a summary of the return on investments for the fiscal year 1959-60 with comparable figures for the two previous years:

<u>Investment</u>	<u>1957-58</u>	<u>1958-59</u>	<u>1959-60</u>
Bank of Canada	\$ 68,711,000	\$ 88,632,000	\$ 74,012,000
Central Mortgage and Housing Corporation	18,221,000	28,961,000	43,804,000
Loans to national governments	10,122,000	31,947,000	31,104,000
Exchange Fund Account	22,880,000	18,626,000	25,513,000
Canadian National Railways	12,454,000	11,451,000	11,073,000
Deposits with chartered banks	5,253,000	4,941,000	10,493,000
The St. Lawrence Seaway Authority			5,000,000
Veterans' Land Act loans	4,941,000	5,007,000	4,952,000
Eldorado Mining and Refining Limited	3,525,000	3,525,000	4,230,000
Northern Ontario Pipe Line Crown Corporation .	569,000	3,078,000	4,074,000
Polymer Corporation Limited	4,000,000	4,000,000	4,000,000
Securities Investment Account	1,424,000	2,613,000	3,546,000
National Harbours Board	3,402,000	3,187,000	3,321,000
Farm Credit Corporation	1,637,000	1,956,000	2,815,000
Other loans and investments	12,285,000	13,280,000	11,717,000
	<u>\$ 169,424,000</u>	<u>\$ 221,204,000</u>	<u>\$ 239,654,000</u>

36. The \$239,654,000 return on investments for 1959-60 represented an increase of \$18 million (8%) over the preceding fiscal year. The amounts shown as earned on the investment in the Bank of Canada represent the annual profits earned by the Bank and surrendered to the Receiver General under the Bank of Canada Act. The Central Mortgage and Housing Corporation amounts comprise mainly interest on loans, but also include the Corporation's annual profits (\$4,348,000 in 1959-60). Interest earned on deposits with the chartered banks was more than double that earned in the preceding year, due mainly to the higher interest rates prevailing on Treasury Bills upon which the bank interest rate is based. The \$5 million shown for The St. Lawrence Seaway Authority in 1959-60 represents the first interest payment received on loans made to the Authority under the St. Lawrence Seaway Authority Act.

37. The net postal revenue amounts listed in the table in paragraph 31 represent gross postal revenues less disbursements for (a) remuneration of postmasters and staffs at sub-offices, semi-staff offices and revenue post offices, and (b) certain miscellaneous expenditures for the past three years, as follows:

	<u>1957-58</u>	<u>1958-59</u>	<u>1959-60</u>
Gross postal revenue	\$ 177,433,000	\$ 183,291,000	\$ 193,593,000
Disbursements—			
Remuneration of postmasters and staffs	21,317,000	21,781,000	22,053,000
Miscellaneous expenditures	3,256,000	3,969,000	3,978,000
	<u>24,573,000</u>	<u>25,750,000</u>	<u>26,031,000</u>
Net postal revenue	<u>\$ 152,860,000</u>	<u>\$ 157,541,000</u>	<u>\$ 167,562,000</u>

38. An analysis of the amounts shown for other non-tax revenues for the year ended March 31, 1960 with comparable figures for the two previous years is given in the following table:

	1957-58	1958-59	1959-60
Privileges, licenses and permits	\$ 19,307,000	\$ 27,883,000	\$ 24,970,000
Proceeds from sales	22,321,000	23,521,000	21,892,000
Services and service fees	22,556,000	27,195,000	31,299,000
Refunds of previous years' expenditure	28,083,000	37,663,000	40,630,000
Miscellaneous	11,409,000	12,337,000	11,404,000
	<u>\$ 103,676,000</u>	<u>\$ 128,599,000</u>	<u>\$ 130,195,000</u>

39. The Summary of Revenue, by Departments, for the year ended March 31, 1960, as included in the Public Accounts, is given as Appendix 5 to this report.

Comments on Expenditure and Revenue Transactions

40. Reference has already been made in this report to the statutory responsibilities of the Auditor General under the Financial Administration Act and in particular to Section 70 under which he is required to call attention to specific transactions observed during his examinations.

Pursuant to this direction, I consider that the following cases relating to the expenditure and revenue transactions examined during the year under review should now be brought to the attention of the House of Commons.

41. *Prairie Farm Emergency Fund deficit.* Reference has been made in previous reports to the practice of charging annual deficits in the operations of the Prairie Farm Emergency Fund to Expenditure, although no provision for this had been made in the governing Act and no parliamentary appropriations had been provided to cover the charges.

The deficit of \$12,529,000 which resulted from the Fund's operations in 1959-60 was again charged to Expenditure notwithstanding this lack of specific parliamentary authority.

42. *Recovery of subsidies for cold storage warehouses.* The Cold Storage Act, c. 52, R.S., authorizes the Governor in Council to grant subsidies, out of any money appropriated by Parliament for the purpose, towards the construction and equipment of public cold storage warehouses, and to make regulations to ensure the efficient operation and enforcement of the Act. The Act does not make provision for recovery of all or any part of a subsidy in the event of the subsequent sale of subsidized facilities for other purposes. But the form of contract prescribed by the regulations to be entered into with persons seeking a subsidy provides that the subsidy is to be repaid if the facilities are sold without the approval of the Minister—and that if they are disposed of with such approval “the contractor will comply with such terms and conditions as may be imposed by the Minister”.

During the year under review, an instance was observed where \$8,007 of a payment of \$14,807 made in 1946 was required to be repaid on the sale of the subsidized premises, the difference of \$6,800 being regarded by the department as an appropriate allowance for depreciation.

In this connection we have obtained an opinion from the Department of Justice that the regulations permit the Minister to approve of the sale of a subsidized cold storage warehouse without requiring, as a term or condition thereof, repayment of any part of the subsidy. In view of this, we are of the opinion that the regulations should be amended to ensure maximum recovery of subsidy in each case.

43. *Contracts for charter hire of helicopters.* Aircraft charter hire rates charged by commercial aviation companies are governed by tariffs filed with the Air Transport Board. During the course of our examination we observed that, with respect to certain contracts awarded by the Department of Defence Production covering the charter hire of helicopters for the Department of National Defence, the filed tariffs and provisions of related contracts were susceptible to more than one interpretation. Several cases were noted where charges had been accepted which did not appear to be in accordance with the terms of the governing contracts, and on our drawing these apparent overpayments to departmental attention refunds of \$1,400 and \$800 were obtained in two instances.

The Department of Defence Production has since taken steps to arrange for contracts of this nature to be drawn in more precise terms in order to avoid similar misunderstandings in the future.

44. *Delay in accounting for counterpart funds.* Up to March 31, 1960, approximately \$80 million of the funds appropriated by Parliament for the Colombo Plan had been spent for the purchase of wheat, flour, copper, aluminum, nickel, fertilizers and wood pulp supplied to India, Pakistan, Ceylon, Nepal, Indonesia and Burma. By agreement with the recipient countries, when goods that are not directly related to economic development are financed by grants from the Government of Canada under the Colombo Plan and sold or otherwise distributed by the governments concerned, "counterpart funds" are to be set aside for subsequent use in connection with agreed economic development projects in their countries. These funds are to be paid into special local currency accounts, and the government of a recipient country is to report from time to time to the Government of Canada the position of its counterpart fund account and supply a covering certificate from its Auditor General.

Gifts of wheat and flour costing \$35 million are covered by similar agreements.

As at July 31, 1960, certified statements of counterpart funds had been received by the Department of External Affairs in respect of \$15 million worth of wheat shipped to India in 1952 and 1953, \$10 million worth of wheat shipped to Pakistan in 1953, and \$4 million worth of flour shipped to Ceylon from 1954 to the end of March 1958. However, no such statements had yet been received for counterpart funds in respect of commodities on which the Canadian expenditures were as follows:

	1954-55 to 1957-58	1958-59	1959-60
India	\$ 11,754,342	\$ 18,283,310	\$ 31,146,307
Pakistan	6,334,751	6,065,031	6,560,567
Ceylon		2,999,893	1,399,965
Nepal		60,000	
Indonesia			499,939
Burma			499,933

45. *Expenditure charges to adjust insurance account balances.* The following insurance plans were established many years ago: Civil Service Insurance Fund, actuarially calculated at 6% interest; Returned Soldiers' Insurance Fund at 4% interest; and Veterans' Insurance Fund at 3½% interest. Notwithstanding the fact that interest credits were discontinued on the first of these accounts as at March 31, 1954, and on the other two as at March 31, 1952, the operations of the accounts reflected actuarial surpluses at March 31, 1956, as follows: Civil Service Insurance Fund, \$8,267,453; Returned Soldiers' Insurance Fund, \$4,301,701; and Veterans' Insurance Fund, \$2,643,070. These surpluses, which totalled \$15,212,224, were credited to Net Debt Account in the fiscal year 1956-57, in order to adjust the balances in the accounts to the amounts of the respective actuarial liabilities at March 31, 1956.

No interest has been credited to the accounts since these adjustments were made and actuarial deficits have arisen. These have been made good by means of annual non-cash charges to Expenditure, the 1959-60 charges with respect to the several funds being: Civil Service Insurance Fund, \$589,000; Returned Soldiers' Insurance Fund, \$520,000; and Veterans' Insurance Fund, \$328,000. The charges were reported as special "statutory" items in the Public Accounts (pages N-2 and AI-3).

We would point out that in no case does the governing legislation contain provision for the making of such charges.

46. *Proceeds of fines not accounted for.* Subsection (2) of Section 626 of the Criminal Code provides that "where a fine... is imposed in respect of any proceedings instituted at the instance of the Government of Canada, in which that government bears the costs of prosecution, the proceeds of the fine... belong to Her Majesty in right of Canada and shall be paid by the person who receives them to the Receiver General of Canada".

Records of the Department of Fisheries indicate that a former magistrate failed to remit fines totalling approximately \$2,400 imposed and collected by him during the years 1956 to 1958 for offences under the Fisheries Act and regulations made thereunder.

It was observed that fines imposed and collected by the same magistrate in the period from 1953 to 1955 were recovered after the filing of information in the Exchequer Court, but no such action has been taken with regard to those imposed and collected during the later period.

47. *Questionable charge for stockpiling of coal.* For many years parliamentary appropriations have been provided annually to the Department of Mines and Technical Surveys (Dominion Coal Board) for "payments in connection with movements of coal under conditions prescribed by the Governor in Council". Assistance on the movement of water-borne coal from Nova Scotia to St. Lawrence River ports has been based on the excess of the laid-down cost of Canadian coal over that of imported coal. Although normal stockpiling costs prior to shipment have been regarded as a permissible cost element, the appropriation for 1959-60 (Vote 212) was charged with payments totalling \$631,000 to reimburse collieries for the cost of extra stockpiling at the collieries in excess of current demand (an amount of \$100,000 recovered from the Province of Nova Scotia by previous arrangement was included in the revenues of the department).

In our opinion, these payments are questionable charges to an appropriation that provides specifically for "movements of coal".

48. *Construction costs of house at R.C.A.F. Station.* Early in 1958 Treasury Board approval was obtained for the construction of a house for the use of a senior R.C.A.F. officer at a cost of \$25,000, plus \$9,950 for utilities and landscaping. The project was completed during the year under review, and an analysis by the department's Chief Auditor of the cost records maintained by the R.C.A.F. Construction and Maintenance Unit indicated that costs totalling \$79,631 had been incurred—\$56,716 for the house and \$22,915 for the utilities and landscaping.

When the matter was referred by a departmental administrative officer to the Air Force for investigation, it was found that there had been misunderstanding on the part of its Construction and Maintenance Unit in that it had assumed that the approved funds covered only the cash requirements for the project without restricting "contributions" by way of Service labour and materials from stocks on hand. The cash outlays were within the approved amounts and it was the "contributed" costs that had resulted in the project exceeding the authorized limit. Moreover, the Air Force, pointing out that the house had been built in accordance with agreed plans and specifications, maintained that there were inaccuracies in the records and that certain costs totalling

\$33,450, such as transportation to and from the site, rental value of Service equipment and a large portion of Service labour for engineering and supervision, should not have been charged to the project.

Unless costs include indirect as well as direct elements, they can be seriously misleading. Realizing this, the department has issued instructions that in future estimated costs prepared with respect to all project requests must include the cost of all material whether purchased directly or supplied from stocks, and of all labour whether employed directly for the job or provided by departmental Service or civilian staffs—together with appropriate charges for overhead.

49. *Non-recovery of expenses incurred in lending Crown-owned property.* In the summer of 1959 a number of NATO vessels were invited to participate in a Naval show at the Canadian National Exhibition, Toronto. In order to transport personnel between the vessels and the shore, six landing barges were borrowed by the Department of National Defence from the Department of Transport, and a general understanding was reached with the Exhibition Association that any costs incurred in connection with these barges would be borne by the Association, although no formal agreement was concluded to this effect.

The cost of transporting the craft, together with certain conditioning expenses, was billed to and recovered from the Association by the Department of National Defence. However, it later developed that other expenses totalling \$4,925 incurred by the department had been inadvertently omitted from the billing. This was directed to the attention of the Association, but up to the time of the completion of our examination, recovery had not been effected nor had liability for the additional charges been admitted by the Association.

50. *Medical expenses incurred for accidental injuries suffered by a deserter.* During the course of our examination, we noted the case of a man who had joined the Navy in May 1956 and deserted two years later. In September 1959, while still absent without leave, he was seriously injured in an automobile accident. His hospital and medical expenses up to December 1959, when he was released from the Navy, cost the department \$3,500. In addition, as the man is entitled to post discharge treatment for one year at public expense, and as he is a quadriplegic, it is estimated that a further outlay of at least \$8,000 will be involved during that period. It was also noted that the man was released on medical grounds rather than on account of desertion and as a result was given a cash termination allowance of \$419.

The Navy carries deserters on strength indefinitely in order to impress on serving personnel the inviolability of their engagement in the Service. In this case, if the man had been in the Army or Air Force he would have been struck off strength automatically a year after his desertion and the Crown would have had no further financial responsibility for him.

As a result of our bringing this case to the attention of the Department of National Defence, the Navy's practice is now under consideration with a view to standardizing the practices of the three Services.

51. *Subsidization of medical student officers.* Undergraduate medical students may be enrolled as officers in the forces and receive subsidized education during their final years of study. A condition is that on completion of his course each officer will serve a three-year period in the Services. In exceptional and unforeseen circumstances the release of an officer at his own request may be authorized, but if the release takes place before he has completed three years' service after being licensed to practice, he is required to repay all or part of the cost of subsidization, including pay and allowances received.

A case is now commented upon for the reason that it will take some 15 years to recover such costs from a released officer, under an instalment payment arrangement. The officer, on finishing his course early in 1959, applied for his release for financial reasons to take up civilian medical practice and tendered a certified cheque for \$7,700 to cover the costs to the department of subsidizing his education. Owing to the shortage of medical officers the application was refused and the cheque returned to the officer. Nine months later when the officer again sought his release on the grounds that his financial position had worsened, the department granted the release. However, he was not then in a position to reimburse the amount owing, so the department accepted his promissory note for \$7,700, with interest at 5%, to be repaid at the rate of \$75 a month commencing in March 1964 and ending in April 1975.

On being released, this officer was paid, in cash, \$719 of deferred pay that had accumulated to his credit.

The pertinent regulations permit the Minister a discretion as to the amount to be refunded but are silent as to the method of collection.

52. *Unusual exercise of executive discretion in awarding of annuity under Canadian Forces Superannuation Act.* An officer, aged 38, was released in January 1960 on grounds of inefficiency following an unexplained shortage of funds at a Naval station of which he was the supply officer. A Service Pension Board Minute noted that he had been involved in a similar occurrence in 1957 and stated that "his general physical and mental condition indicated a lack of stability and general suitability which, in the opinion of the appropriate authorities, made him incapable of performing the duties of an officer of his rank and branch".

The release was effected under Section 49(h) of the Defence Services Pension Act, c. 63, R.S., which provided that a contributor who had served ten years or more and was retired for inefficiency should be paid one-half pension to age 65 and two-thirds thereafter. Pursuant to this section, the officer had been awarded an annual pension of \$1,438.

The Canadian Forces Superannuation Act came into force on March 1, 1960 with retroactive application to July 8, 1959. The new Act provides, with regard to releases for inefficiency, that in the discretion of Treasury Board on the recommendation of the Minister, a contributor may be paid the whole or any part of any pension he would have been entitled to if he had been retired to promote economy and efficiency—in other words, for normal cause. Accordingly, the case was reviewed by the department and it sought and obtained Treasury Board approval for an annual pension based on 95% of the permissible maximum, or \$2,732 during the lifetime of the officer.

In cases of voluntary retirement before reaching compulsory retirement age, an officer is normally granted a pension reduced by 5% for each year by which his age at retirement is less than the retirement age applicable to his rank. In the case referred to, the officer at the time of his release still had 11 years to serve in the Navy, so the establishment of the pension at 95% of the permissible maximum, in the circumstances mentioned, seems to constitute an unusual exercise of the discretionary authority given to the Treasury Board by the Act.

53. *Partial payment of mess officer's salary from public funds.* Early in 1957 a mess manager was appointed at an Air Force station at a monthly salary of \$400 payable from mess funds. While serving in this capacity the man was also nominally appointed on December 1, 1957 as a kitchen helper in the mess and paid \$175 per month from public funds as a locally engaged employee, the payment from mess funds being correspondingly reduced. He continued as mess manager on a full-time basis with his salary thus paid in part from public funds. This situation continued until December 31, 1959 and involved payments out of public funds to a total of \$4,375 during a period of 25 months in which no services were in fact performed in the position for which the payments were ostensibly made.

In October 1959 instructions were issued that the amounts paid from public funds since August 1958 were to be refunded. The nominal appointment as kitchen helper was terminated on December 31, 1959, and we have recently been informed that recovery is expected to be effected by means of monthly payments over a period of two years, commencing December 1960.

54. *Travel and removal expenses.* The Department of National Defence spent \$40 million during the year under review on travel and removal expenses of servicemen and their dependents. In the course of our test examinations of these payments, a number of cases involving unnecessary or excessive costs came to our attention, of which the following are examples:

1. Regulations provide that a serviceman whose period of service is about to expire shall not be transferred to another unit unless he is re-engaged for a further term. In November 1959 an airman was transferred, with his dependents, from Gimli, Manitoba, to Vancouver, although his term was to expire two months later and he was not being re-engaged. In January 1960 he took his release, and his transportation, along with his dependents, was paid to Halifax, his selected place of residence. Extra costs incurred by the transfer to Vancouver are estimated at \$1,000.

2. A serviceman with less than 10 years' service is entitled, on release, to transportation and travelling expenses for himself and his dependents to the place in Canada where he enrolled or to any other place in Canada, provided the cost is not greater. An officer serving at Halifax selected Ottawa as his intended place of residence and shipped his furniture and effects there at public expense. He was paid, however, for amounts claimed as travelling expenses of himself and his wife to Victoria where he had enrolled. Regulations have since been clarified to prohibit the payment of transportation to other than the intended place of residence.
3. When furniture and effects of Service personnel are moved by road van at public expense it sometimes happens that delivery cannot be completed immediately on arrival of the shipment at its destination, ordinarily because the serviceman has been unable to find suitable accommodation at the new location. In such cases the shipments may be placed in storage in transit for which the minimum charge is \$2.50 per hundredweight for periods of 30 days or less. Instances were observed where movers placed shipments in storage in transit for a day or so, for their own convenience, without first contacting the consignees who were frequently in a position to accept delivery. A number of refunds were obtained—in one case \$208—and the department has taken steps to curtail the unnecessary use of storage in transit facilities in future.
4. Two Naval officers serving at Ottawa were posted to R.C.A.F. Station Centralia, where quarters and rations were provided, for a period of six weeks. They returned to Ottawa frequently and during the period in question spent more time there than they did at Centralia. As a result, one officer received \$273 and the other \$266 in per diem allowances for days spent at their home city.
5. An officer who had been serving in Vancouver was posted to Victoria to attend a two months' course preparatory to serving on a ship then in the final stages of construction in Vancouver, where he had left his dependents. On completion of the course he returned to Vancouver and was continued in travel status to "stand by" the ship pending its commissioning. This did not take place for four months and the officer thus received \$974 in per diem travelling allowances during the period, although his home was in the city. We have recently been informed that recovery is being effected.

In accordance with our usual practice, all such cases were drawn to departmental attention promptly with the object of achieving recovery where possible as well as bringing about improvement in the regulations.

55. *Interim allowances for lodgings and meals on transfer.* When members of the forces with dependents are transferred from one place to another they are entitled, by regulation, to be reimbursed for expenditures incurred for lodgings and meals for periods required to find living accommodation and complete the moves. The maximum daily rates for lodgings and meals are based on costs at commercial establishments and vary according to the rank of the serviceman and the size of his family. Normally reimbursement is made for a period up to 21 days, but this may be extended in special circumstances. During the course of the audit a number of cases were observed where liberal application of the regulation seemed to confer benefits beyond what was intended:

1. While staying with relatives:

Cases were noted where substantial payments were made for accommodation provided by relatives. For example, an officer with two dependents was paid \$374 to cover the cost of his lodgings only, in the home of his parents for 34 days.

2. While awaiting possession of purchased accommodation:

Experience has shown that rented accommodation can usually be obtained within the normal interim allowance period of 21 days. However, instances were noted where servicemen were paid interim allowances for 35 days—in one case amounting to \$908—while awaiting possession of homes purchased at new duty locations.

3. While awaiting redecoration of home:

An officer during a tour of duty outside Canada rented his home and upon his return decided to repair and redecorate it. He was paid \$267 in interim allowances during a period of 19 days while he and his family occupied temporary accommodation.

When the first two classes of cases were drawn to the attention of the department, instructions were issued calling for greater care and discretion in future before such reimbursements were made. In the last case, the department considers that the officer was entitled to the allowance in question.

56. *Reimbursement to servicemen for lease termination payments.* The Department of National Defence is faced with a difficult administrative problem in dealing with servicemen who, having entered into leases for housing accommodation, are transferred to other localities or are ordered into departmental quarters prior to the expiration of the leases. In such cases, the department may, by regulation approved by the Governor in Council, reimburse the servicemen for the amounts paid to terminate their leases up to a maximum of three months' rent.

Lease termination payments approximate \$500,000 annually and the department's problem is to balance the cost to the public with the protection which should be afforded the servicemen. A serviceman is left free to make his own arrangements with his landlord in respect of both the term of the lease and the manner of its termination, and it appears that many landlords, being aware of the regulation, demand the maximum amount before agreeing to terminate the leases. No administrative responsibility is assumed for arranging sublets where the vacated premises are rented by landlords to other servicemen. In fact, some landlords anticipate this situation by incorporating in their leases a provision under which they may arbitrarily refuse to accept a subtenancy.

57. *Unemployment assistance contributions to provinces.* In the 1957-58 report, comments were made regarding certain doubtful expenditures which had been shared by the Federal Government under the Unemployment Assistance Act, and it was observed that "audit opinion is that the statute includes ambiguities which have resulted in varying interpretations, and that the text merits further consideration".

In the course of our initial audit of expenditure incurred under this Act in the Province of British Columbia, we noted that amounts claimed as shareable included allowances to provide for the maintenance of children living apart from their parents with

other families, usually relatives. These children were being assisted as individuals and not as part of a family unit entitled to receive unemployment assistance. The Department of National Health and Welfare concurred in our view that such payments were in respect of child welfare and not admissible as shareable expenditures under the Act. The department estimates that resultant overpayments to the province during the period from July 1, 1955, the date the agreement was entered into with the province, up to March 31, 1959, are of the order of \$360,000. Provincial authorities disagree with the stand taken by the department and with the method of calculating the amount in dispute. However, they agreed, without prejudice to their case, to overpayments totalling \$40,724 from April 1 to August 31, 1959, being withheld from 1959-60 payments, and since August 31, 1959 the province has discontinued claiming for the allowances in question.

A similar situation arose in connection with claims of the Province of Nova Scotia relating to children living apart from their parents. Although provincial officials have now agreed that payments by municipalities for the maintenance of children placed in homes by municipal authorities or children's aid societies are child welfare costs and therefore not shareable, they contend that assistance granted under Section 7(b) of the Provincial Social Assistance Act is shareable. This section provides that assistance may be granted to a person who has in his care or custody one or more children who are not being maintained by their parents, if he is a suitable person to have custody of children and meets the requirements of a means test. The Department of National Health and Welfare shares our doubts as to the propriety of admitting such assistance payments as shareable on the grounds that they also are in the nature of child welfare costs.

We also drew the attention of the department to inadmissible expenditure claimed for sharing by the Province of Alberta for pensions granted by the province to disabled persons, the province having overlooked the fact that, as many of the pensioners were inmates of hospitals and other institutions for the treatment of chronic conditions, assistance to them was not shareable under the Act. Provincial officials have agreed to re-examine all such pension payments with a view to excluding ineligible cases and establishing the amount of the overpayment (estimated at \$80,000 in respect of claims for the period from January 1958 to October 1959).

58. *Grants to hospitals, etc., which care for Indians and Eskimos.* In revising the 1959-60 vote structure for the Department of National Health and Welfare, the vote "Grants to Hospitals which care for Indians and Eskimos" was combined with the vote for "Indian and Northern Health Services—Operation and Maintenance", the new text being "Operation and Maintenance, including Grants to Hospitals and Other Institutions which care for Indians and Eskimos". The amount provided for these grants was shown as a separate item of \$220,000 in the Estimates' Details. During the year, grants paid to hospitals, individually authorized by Treasury Board, totalled \$255,000, the excess being provided for by a transfer from the materials and supplies allotment.

As it has been long established practice that Parliament control grants to outside organizations, and as the grants in question had previously been provided for by a separate appropriation, the increase of the amount made available for this purpose by the Treasury Board is drawn to attention as a matter of interest.

59. *Determination of "sale price" for sales tax purposes.* Section 30 of the Excise Tax Act requires sales tax to be calculated on the "sale price" of goods produced or imported into Canada, with certain stated exemptions. In the 1945-46 report it was noted that for some classes of goods sold under certain circumstances to other than wholesalers, the Department of National Revenue had authorized the manufacturers, by regulation, to compute the sales tax on less than the actual sale price.

In 1955 a Sales Tax Committee was appointed to review and advise upon certain technical questions relating to the administration of the sales tax. Included in the Committee's report, dated January 12, 1956, is the statement that "the Act does not appear to authorize the Minister to vary actual selling prices or to impute wholesale prices when they do not exist", and the Committee recommended that "the existing scheme of valuation be continued for the present with statutory sanction".

Sale price is the amount charged to the buyer and there is no provision for any deviation. The method of valuation employed by the Department of National Revenue for sales tax purposes appears to rely on the general authority given in Section 38 of the Act, reading as follows:

"The Minister of Finance or the Minister of National Revenue, as the case may be, may make such regulations as he deems necessary or advisable for carrying out the provisions of this Act."

In our opinion, specific authority by Parliament is required if the tax is to be computed on less than the actual sale price of the goods.

60. *Commitment to the Northwest Territories in advance of appropriate authority.* In November 1957 the Department of Northern Affairs and National Resources gave its concurrence to the Commissioner of the Northwest Territories entering into a contract with a firm of consulting engineers for the planning and construction supervision of a revised and extended water system and a sewage system at Fort Smith, N.W.T. This concurrence was given notwithstanding the fact that the project was one towards which the contribution of the Federal Government would be considerably greater than that of the Territorial Government. Fees under the contract were paid in full to the consulting engineers by the Territorial Government, and it was not until July 1959 that Executive authority was sought by the department for reimbursement of the Territorial Government for the department's share of the cost, as a charge to the appropriation for "Northwest Territories and Other Field Services—Construction or Acquisition of Buildings, Works, Land and Equipment" (Vote 279).

Because of the considerable responsibility of the Federal Government in the project, it would seem that the department's concurrence in the contract being entered into with the consultants should have been given only after the approval of the Treasury Board had been obtained.

61. *Extra costs resulting from seemingly insufficient consideration given before constructing boat harbour.* In June 1957, the Department of Public Works called for tenders for the construction of a boat harbour at Erieau, Ontario, intended mainly for the use of local fishermen. As a result of delays in acquiring land for the site, the contract had not been awarded by October 4, 1957, when a petition signed by a group of the fishermen was received by the department, requesting that the plans for the harbour be revised. Accordingly the department decided to defer the project.

On December 3, 1957, a second petition, signed by another group of fishermen, requested the department to proceed with the original contract. The firm that had submitted the lowest tender agreed to undertake the work at the tendered price of \$154,545 and the contract was awarded to it on January 30, 1958.

On April 14, 1958, a third petition renewed the request that the plans be changed and, on April 29th, the contract was cancelled. The plans were then revised and new tenders called and in due course a contract was entered into with another contractor for the construction of the harbour on the basis of the revised plans, at a cost of \$192,526.

Meanwhile, \$61,890 of expenditures had been incurred by the original contractor prior to the cancellation of the contract, and this sum was reimbursed to him in August 1959 and charged to the appropriation for "Ontario—Acquisition, Construction and Improvements of Harbour and River Works" (Vote 340). It was noted that \$43,417 of this amount represented materials later used on the revised project, leaving \$18,473 as the extra cost resulting from insufficient consideration having been given to alternative plans before proceeding with the project.

62. *Expenditure caused in advance of parliamentary sanction.* On November 29, 1958, a Treasury Board Minute authorized the Minister of Public Works to purchase a property in Vancouver, and directed that the expenditure be chargeable "against funds allocated for this purpose in the 1959-60 Estimates—'Post Office Station E, Vancouver, B.C.'". The Minute provided that interest would be payable at 5% of the purchase price of \$50,000 from the date of the conveyance until the date of final settlement. Title to the property was acquired on February 18, 1959. Interest for the period from that date until May 31, 1959 was included in the payment which was then made and charged against the appropriation for "Acquisition, Construction and Improvements of Public Buildings—British Columbia" (Vote 329).

The acquisition of the property in this way, in advance of the provision of funds for the purpose, lacked conformity with the restriction contained in Section 13 of the Public Works Act that "nothing in this Act authorizes the Minister to cause expenditure not previously sanctioned by Parliament, except for such repairs and alterations as the necessities of the public service demand". Moreover, as a result of the action taken, interest costs were incurred to the extent of \$699.

63. *Dredging operations for the benefit of a private interest.* In September 1959, a private company requested the Department of Public Works to carry out dredging operations over its marine railway slip adjacent to the public harbour at Liverpool, N.S. Although the request was refused initially, the department finally agreed to do the work and the cost, amounting to \$4,281, was charged to the appropriation for "Dredging—Maintenance and Operation of Plant and Contract and Day Labour Works" (Vote 347), instead of being recovered from the private company for whose benefit the dredging had been done.

64. *Questionable charge for construction of protection wall.* Among the 1959-60 appropriations for Harbours and Rivers Engineering Services under the Department of Public Works was Vote 345 which reads:

Remedial works where damages are caused by, or endanger, navigation or Federal Government structures; and the completion of protection works already under way.

Costs of \$9,245 were incurred during the year under a contract entered into, in the amount of \$20,264, for closing a gap in existing protection walls at Lac Megantic, P.Q. The existing works had been built by the government partly in 1936 and partly during the period from 1949 to 1956.

There appears to have been no question of any damage having been caused by or endangering navigation or Federal Government structures, the department relying on the words "completion of protection works already under way" as justification for undertaking the work. Our interpretation of the wording would restrict work to what is required to be done to complete a project which had been in progress at the end of the preceding fiscal year.

65. *Inadequate settlement re damages to wharf.* In June 1959, the government wharf at Sturdies Bay, B.C., was damaged by a tanker which struck it while making a landing. The cost of repairing the wharf was \$1,956.

When the Department of Public Works sought to recover the cost from the tanker's owners, they offered only \$1,174 in settlement, being 60% of the estimated original cost of the damaged portion of the wharf. This was on the grounds that the wharf had an estimated life of 15 years of which six had elapsed. The department accepted the settlement notwithstanding the fact that it is usual to recover the full cost of restoring damaged facilities, without taking depreciation into consideration.

66. *Adjustment of pension to ex-member of R.C.M.P.* Subsection (2) of Section 27 of the Royal Canadian Mounted Police Superannuation Act, c. 34, 1959, provides that:

"All claims for pension under this Part shall be dealt with and adjudicated upon in like manner as claims under the Pension Act, and all provisions of the Pension Act not inconsistent with this Part apply *mutatis mutandis* in respect of any claim under this Part."

Section 20 of the Pension Act requires that any amount collected in respect of damages be taken into account in fixing the amount of a disability pension.

A constable injured in an automobile accident received \$5,000 in settlement of a civil action and was subsequently granted a disability pension for life. A review of the file indicated that the settlement had not been taken into account in fixing the pension. On attention being drawn to the case, administrative officers advised that payments were being suspended pending adjustment of the pension.

67. *Charges for annual fee for membership in international organization.* Vote 380 for the Department of Trade and Commerce reads:

Departmental Administration, including fees for membership in the International	
Organizations listed in the Details of the Estimates	\$ 2,636,084.

Included in the Details was an item for "International Sugar Agreement Fee \$8,500". This was to provide for Canada's share of the expenses of the International Sugar Council for 1959. The share actually amounted to \$7,993 and was paid in April 1959, but the appropriation was charged with an additional payment of \$7,818 in March 1960 for Canada's share of the Council's expenses for 1960. This made a total of \$15,811 charged to the appropriation in the fiscal year 1959-60. Although the fees of the member countries become payable to the Council at the beginning of the calendar year for which they are assessed, Canada's practice, since 1954, had been to make payment only after April 1st, when funds became available for each fiscal year.

The desirability of Canada paying its annual fee when due cannot be denied, but in view of the fact that Parliament provided a specific amount of \$8,500 to cover the fee payment in 1959-60, we are of the opinion that no sum should have been paid in excess of that amount in the absence of a supplementary appropriation provided for the purpose.

68. *Contracts with Colombo Plan experts.* At March 31, 1960 there were 33 persons, including a number of civil servants on leave without pay from their regular positions, under contract with the Department of Trade and Commerce to act as technical experts in connection with Canada's Colombo Plan Technical Assistance Program. Fees payable under these contracts were based on the expectation that they would be subject to income tax, and a clause in each contract required the technical expert to repay a stated amount should the fees not be taxable under the laws of Canada.

In some cases where technical experts were classed as non-residents and therefore not taxable, failure by the department to amend taxation clauses in the agreements, when periods of service were extended, placed such persons in a position to bargain. In one instance where an agreement covered a period of service of 24 months and provided for a repayment of \$3,000 in the event that the fees proved not to be taxable, the period of service was extended twice before the repayment provision was amended. Then when the department wished to amend the agreement to provide for repayment of \$10,500, the expert refused to sign and the department finally agreed to an amount of \$4,900 plus two-thirds of any amount in excess of \$4,900 that the Taxation Division might refund to the expert. It is not yet known what the actual benefit to the expert may have been.

Obviously the system of including in the fee an amount which is to be refunded in the event that income tax is not payable is cumbersome and lends itself to abuse. If compensation is to be paid for income tax, it seems logical that reimbursement should be made only on production of the tax assessment notice and evidence of payment of tax.

69. *Repairs to landing craft without inviting tenders.* Early in June 1959 the Department of Transport arranged with a Montreal firm with ship repairing facilities to inspect a number of landing craft at Frobisher, damaged by ice during the preceding winter. After the firm had commenced repairs, with departmental concurrence, it was asked to tender for the work involved and quoted a price of \$245,415 which was accepted. The repair work was completed before Executive approval was sought on August 24, 1959 and granted on September 17, 1959 for entry into a contract covering the work.

This failure to obtain prior approval was contrary to Executive regulations governing contracts, but what is of particular concern is that tenders had not been invited by public advertisement for execution of the work, as required by Section 36 of the Public Works Act. It is understood that, in future, repair work of this sort will be given consideration by the department at an earlier stage in order that firms in a position to undertake the work might be invited to tender and a competitive situation thereby established.

70. *Financial consequences of faulty preliminary engineering.* In August 1957, the Department of Transport entered into a contract for development of an airport at Riviere-du-Loup. The lowest tender of \$479,965, based on firm unit prices for estimated quantities, was accepted. After the work had been commenced it was found that the runway, the construction of which formed a major part of the project, had to be angled away from the location that had been erroneously staked out under direction of a departmental engineer, and that had been inspected by prospective bidders following the tender call. The correction of the deviation placed part of the runway over a large and deep area of muskeg which had to be removed and replaced with suitable

materials, some of which had to be purchased and hauled to the airport. In addition, a hummock of solid bedrock was uncovered outside of graded areas and had to be removed to provide aircraft take-off clearance.

Negotiations with the contractor regarding the increased costs involved led to an amendment of the contract to permit settlement, on a cost plus fee basis, for \$725,000. Any advantage that might have been gained from competitive bidding on this project was therefore lost through faulty preliminary engineering work.

71. *Questionable charges for aids to navigation.* During the year under review, following the practice of previous years, approximately \$223,000 was charged to the appropriation for "Aids to Navigation" (Vote 402) for expenditures incurred by the Department of Transport for the construction or acquisition of buoys, range lights and piers to define the boundaries of the deeper water navigation sections of the Canadian portion of the St. Lawrence Seaway.

Section 10 of the St. Lawrence Seaway Authority Act, c. 242, R.S., reads in part: "The Authority is incorporated for the purposes of . . . acquiring lands for and constructing, maintaining and operating all such works as may be necessary to provide and maintain . . . a deep waterway between the Port of Montreal and Lake Erie . . ." The term "deep waterway" is defined by Section 2 as "adequate provision for navigation requiring a controlling channel depth of twenty-seven feet . . ." Section 16 provides that the costs to be defrayed by tolls include "the cost of operating and maintaining the canals and works under the administration of the Authority . . .".

A reasonable assumption from the foregoing statutory provisions would seem to be that the cost of aids to navigation throughout the length of the Seaway should be included among the costs to be recovered through tolls, instead of being paid from public funds. The question of the propriety of charging the appropriation for "Aids to Navigation" with the cost of buoys, range lights and piers, as mentioned above, was raised with the department and it has recently advised us that it has placed the question before the Treasury Board for decision.

72. *Awards under the Pension Act.* The determination of whether or not payments under the Pension Act, particularly those in respect of discretionary and compassionate awards, are in conformity with the Act presents special problems. Section 5 of the Act grants the Canadian Pension Commission full and unrestricted power and authority to deal with and adjudicate upon all matters and questions relating to the award, increase, decrease, suspension or cancellation of any pension and empowers the Commission to "determine any question of interpretation of this Act and the decision of the Commission on any such question is final". Owing to these broad powers and to apparent inconsistencies in the Act, there is often room for doubt that the application given to the legislative provisions would commend itself to Parliament. The situation is illustrated in the following paragraphs.

Sections 14, 36, 38, 39 and 45 of the Act each permit a pension award if the applicant is in a "dependent condition", defined as "the condition of being without earnings or income sufficient to provide maintenance". No mention is, however, made of the treatment to be given when the applicant has assets, and many instances have been observed where pension awards had been made to persons holding cash, securities and other assets in amounts which would have precluded them from receiving assistance under other legislation involving means tests.

Since the amount awarded to an applicant in a dependent condition is based upon the additional income he requires to maintain himself, it follows that if the applicant had failed to disclose income, this would result in an overpayment. However, in a number of instances in which undisclosed income was noted and drawn to the attention of the Commission, the pension was simply adjusted currently and no overpayment was considered as having occurred.

An eligibility requirement for a pension award to a dependent parent under Section 38 is that the parent was, or would have been at a later date, "wholly or to a substantial extent" maintained by the member of the forces. An assignment of pay, often of small amount, is usually accepted as the test of dependency, it being assumed that had the soldier survived, he alone would have borne the burden of support. Cases have been noted where as many as 12 surviving children make no contribution towards the support of the parent.

Subsection (3) of Section 38 requires that for a parent, or person in the place of a parent, to be treated as having fallen into a dependent condition subsequent to the death of a member of the forces, the parent or other person must be "incapacitated by mental or physical infirmity from earning a livelihood". But subsection (7) provides that the pension to a widowed mother shall not be reduced on account of her earnings from personal employment and, on the strength of this, pensions awarded to widowed mothers under Section 38(3) are continued in payment even though they have been able to undertake full-time employment.

Section 25 empowers the Commission to "grant a compassionate pension, allowance or supplementary award in any case that it considers to be specially meritorious, but in which the Commission has decided that the applicant is otherwise unqualified to receive such an award or supplementary award under this Act". For many years, outstanding war service was the dominant factor in making compassionate awards, but a recent review of payments made under this section indicated that the tendency had developed of viewing the term "specially meritorious" as "well deserving", without necessarily any military connotation. A number of cases were observed, for example, where additional pensions were paid in respect of wives whose marital status is not recognized under Canadian law.

Subsection (2) of Section 40 provides that not more than one pension shall be awarded in respect of the death of any one member of the forces "except when children are awarded pensions, or parents are awarded a pension jointly, or brothers or sisters are awarded pension, or a pension is divided among several applicants". This subsection would appear to contemplate limitation of a pension in respect of death to a single class of recipient such as to a widow, children or parents. But, in fact, other sections of the Act provide for payments in stated amounts to these classes and so one death can result in payments being made concurrently to a widow (section 37), children (section 26) and parents (section 38).

73. *Revolving fund maximum balance exceeded.* Vote 517 of Appropriation Act No. 5, 1958, authorized the operation of a revolving fund for the purpose of financing the manufacture of Remembrance Day poppies and wreaths, with the proviso that the amount to be charged to the revolving fund at any time was not to exceed \$350,000. When this limit was reached in September 1959, an advance of \$50,000 from the vote for "Miscellaneous minor or unforeseen expenses" (Vote 116) was authorized by the Treasury Board to supplement the Fund, with the proviso that the amount be "subject to recoupment from the first proceeds of the 1959 Campaign for sales of poppies and wreaths".

Since the maximum amount of the Fund was fixed by Parliament at \$350,000, its increase to \$400,000, even temporarily, is open to question.

74. *Interpretation of the term "casual earnings" under the War Veterans Allowance Act.* Section 6 of the War Veterans Allowance Act, 1952, provides that certain classes of receipts are not to be treated as income in determining eligibility for allowance payments, and the exempted classes include "any casual earnings of the recipient". The Act does not define the term "casual earnings" but the War Veterans Allowance Board has directed that earnings from part-time employment, even though of a continuing nature, be exempt to the extent of \$50 a month, and that earnings from full-time temporary employment be exempt for the first twelve weeks of such employment in a year.

This interpretation seems to go beyond what would ordinarily be accepted as a reasonable definition of the term "casual earnings".

75. *Extinguishment of debt due to the Crown for overpayment of allowance.* An order in council authorized the Department of Veterans Affairs to accept \$3,000 in cash in full settlement of a debt of \$12,469, and approved "non-enforcement of payment of the balance of \$9,469". The debt arose because a recipient of war veteran's allowance concealed his income from a business during a period of over 20 years and thus received allowances to which he was not entitled. The overpayment was discovered after his death when his widow was awarded a widow's allowance. An investigation of her financial position disclosed that the estate of the deceased included approximately \$11,000 in

seven bank accounts, together with a house and a car. When the widow offered a compromise settlement of \$3,000 in return for a "full and unequivocal discharge of the widow, her heirs, executors and administrators and the estate of the deceased veteran", the department accepted the offer and gave the discharge in the terms requested.

To give a "full and unequivocal discharge" not only to the widow but also to her heirs is tantamount to extinguishing the debt, which is the sole prerogative of Parliament.

76. *Payments to civil servants additional to salary.* Subsection (1) of Section 16 of the Civil Service Act reads:

"In the absence of special authority of Parliament, no payment additional to the salary authorized by law shall be made to any deputy head, officer, clerk or employee permanently employed in the Civil Service in respect of any service rendered by him, whether in the discharge of his ordinary duties of office or of any other duties that may be imposed upon him, or that he may undertake or volunteer to discharge or otherwise perform."

Instances were noted during the year under review where honoraria, terminable allowances, etc., were authorized by the Executive, as charges to general votes, by relying on Section 60 of the Civil Service Act to permit the exemption of the positions from the operation of Section 16 in order that the extra payments might be made. Section 60 reads as follows:

"60.(1) In any case where the Commission decides that it is not practicable nor in the public interest to apply this Act to any position or positions, the Commission may, with the approval of the Governor in Council, exclude such position or positions in whole or in part from the operation of the Act, and make such regulations as are deemed advisable prescribing how such position or positions are to be dealt with."

An example was the case of an honorarium of \$1,000 paid to an officer of the Department of Finance and charged to the appropriation for "Departmental Administration" (Vote 106).

It has long been the Audit Office view that the phrase "special authority of Parliament" in subsection (1) of Section 16 means that a special parliamentary appropriation or specific mention in the text of a general vote is a condition precedent to a payment being made to a public officer additional to his salary. This has been the practice followed when civil servants have been called upon to render services to Royal Commissions.

77. *Civil servant working for two departments.* Additional payments to civil servants who perform duties for more than one department are prohibited by subsection (1) of Section 16 of the Civil Service Act except where the Civil Service Commission, under subsection (2), authorizes a separate annual salary to be paid with respect to part-time services performed for each department. An instance was nevertheless observed where a doctor employed on a full-time basis at a Veterans Affairs hospital was also engaged in his spare time by the Department of National Defence as a consultant pathologist at a Naval hospital, and in 1959-60 he was paid about \$1,700 for this service.

In addition to being contrary to the Civil Service Act, the arrangement also lacked conformity with the Naval regulations because, in order to comply in form with the regulations, the doctor's claims were submitted in such a way as to indicate attendance on specific duty days although, in fact, he gave service when required at week-ends and other off-duty times.

78. *Unauthorized salary payments beyond retirement age.* The practice of setting up, as receivable, amounts equivalent to the salaries earned by employees during periods when they had been employed beyond retirement age without due authority, and later deleting the balances from the accounts as "uncollectible", was referred to in the 1956-57 report and described as a "clumsy practice".

In the year under review, 11 cases were noted where civil servants had been paid salaries in amounts totalling \$80,000 during such periods, due, in most cases, to a lack of authentic information concerning the dates of birth of the recipients.

Inasmuch as the problem of civil servants working beyond retirement age without the requisite prior approval appears to be a continuing one, it would be more realistic were

- (a) departments required to verify the age of employees before they are near retirement age in those cases where birth certificates had not been provided at the commencement of employment; and
- (b) employees who deliberately conceal their age penalized by withholding retirement leave, or by some other means.

Consideration might also be given to providing the Governor in Council with authority to recognize work performed after retirement age and approve the employment beyond that age retroactively, when necessary.

79. *Overpayments of pension to former civil servants.* Recovery of overpayments was noted as having been waived by the Governor in Council in three cases during the year under review, where pensions of retired civil servants had not been suspended during periods of re-employment. The resultant loss to the Superannuation Account amounted to \$7,404.

We are of the opinion that the waiving of recovery of overpayments of pension in such cases requires an appropriation by Parliament to replenish the Superannuation Account because this account should not be permanently charged with payments not authorized by the Public Service Superannuation Act. Moreover, recovery of the overpayments is possible.

80. *Unpaid accounts charged to new fiscal year.* In the following instances the departments concerned had incurred expenditures beyond what had been provided by parlia-

mentary appropriations for the year, and had avoided recording over-expenditure of the appropriations simply by carrying unpaid accounts forward to the 1960-61 fiscal year:

1. In April 1956 the Department of Transport was authorized to enter into a contract for a term of four years commencing January 1, 1956 for the dredging of the St. Lawrence River Ship Channel below Montreal, and capital dredging costs amounting to \$12,904,535 were incurred during the term of the contract. Because the amount of \$5,094,000 made available in 1959-60 by Vote 408, as supplemented by Vote 629, was inadequate to meet costs incurred in the year, \$365,582 was carried forward as a charge to an appropriation provided in 1960-61 to meet costs incurred under a new agreement with the same contractor, for a term of two years commencing January 1, 1960.
2. Vote 25, as supplemented by Votes 496 and 635, provided \$8,187,000 for the payment of quality premiums on high grade hog carcasses by the Department of Agriculture. Payments to producers are made through the issue, at inspection points, of warrants negotiable at chartered banks. The banks are subsequently reimbursed for redeemed warrants by payments charged to appropriations provided annually for the purpose. Because the warrant is a negotiable instrument, the practice has been to charge the annual appropriations with the value of warrants outstanding at the close of each fiscal year and to credit a liability account, "Hog Premiums—Outstanding Warrants", with a like amount. However, the amount available in the appropriation as at March 31, 1960 was inadequate for the purpose, with the result that \$547,770 was carried forward as a charge to the 1960-61 appropriation.
3. Vote 623 provided \$25,000 for expenses of the Royal Commission on Coal. \$24,975 was charged to the appropriation but additional accounts totalling \$20,945 for services rendered prior to March 31, 1960 were carried forward as charges to 1960-61.

The governmental accounts are kept on a cash basis, subject to year-end adjustment by reason of the provision of Section 35 of the Financial Administration Act that payments made during the thirty days following the end of the year, with respect to goods received and services rendered prior to the end of the fiscal year, may be charged to the accounts of that year. Where necessary, therefore, adequate supplementary appropriations should be sought by departments when balances remaining in appropriations appear insufficient to absorb all charges likely to come in course of payment for goods and services required to be supplied by the year-end.

81. *Non-productive payments.* A number of cases were observed in the course of our examinations where amounts were paid out for plans and designs and pre-production expenses although the projects never reached completion. The following cases illustrate:

1. An architect was engaged by the Department of Public Works in 1954 to prepare plans and specifications for, and to supervise the construction of, an addition to the postal terminal building in Halifax. In 1955 he submitted plans for premises which it was estimated would cost \$1,250,000 to construct. When the Post Office Department requested that, instead, a new terminal building be provided, the requirements of the department were re-studied and eventually it was decided that an addition of a different type would meet requirements and could be constructed for about \$800,000. The original architect was not re-engaged and payments totalling \$37,500 were made for his services—\$24,600 in 1958-59 and the balance of \$12,900 in 1959-60.

2. Early in 1958 the Treasury Board authorized the Department of National Defence to undertake an extension to a wharf at Dartmouth at an estimated cost of \$800,000, to accommodate vessels of the Royal Canadian Navy, the Hydrographic Fleet of the Department of Mines and Technical Surveys and the Royal Canadian Mounted Police. A contract was placed for the planning and preparation of plans and specifications which, when completed, cost \$39,515. Tenders were then called for the construction but when Treasury Board approval was sought for acceptance of the lowest bid of \$823,591, it was withheld on the grounds that it had been decided to accommodate the Hydrographic Fleet elsewhere, and that no final decision had been reached regarding the berthing of R.C.M.P. vessels.
3. A contract was placed for the Department of National Defence in May 1956 for the conversion of nine trucks into mobile workshops at a cost of \$17,919. When the first truck was delivered to the contractor in July of that year it was found that it was considerably shorter than expected and unsuitable for the installation of the necessary equipment without a major rebuilding job. Notice of cancellation was given and during the year under review the contractor was paid \$8,386 in settlement of pre-production expenses.

82. *Losses reported in the Public Accounts.* Section 98 of the Financial Administration Act directs that "every payment out of the Public Officers Guarantee Account and the amount of every loss suffered by Her Majesty by reason of defalcations or other fraudulent acts or omissions of a public officer, together with a statement of the circumstances, shall be reported annually in the Public Accounts". The statement of losses included in the Public Accounts for 1959-60 was examined and it was ascertained that—except for losses suffered by the Post Office Department—every loss during the year which had been observed in the audit as being of a nature requiring to be reported in the Public Accounts is included in the listing.

Following established practice, a listing is also included in the Public Accounts of those losses which were charged to the Post Office Guarantee Fund during the year ended March 31, 1960, but these charges were all with respect to losses that had been suffered in previous years. Losses totalling \$37,237 that had been suffered during the year under review and that were still under investigation or with respect to which collections were still being made, were not included in the listing. In the Audit Office view, it would be more in keeping with the statutory requirement were Post Office losses suffered during the year included in the statement of losses published in the Public Accounts.

83. *Responsibility for loss of public funds.* From time to time cases have been observed where public funds in the custody of members of the forces have been lost under circumstances in which the custodians could give no satisfactory explanation and no evidence could be adduced as to what had happened. According to departmental legal officers, no specific regulation existed whereby the officers concerned could be held financially responsible for such losses.

During the year under review a case was noted in which an accounting officer, finding himself short in his accounts, submitted fraudulent travel advance vouchers to

a total of \$405. He was courtmartialled, pleaded guilty to charges of "making false entries" and "failing to account for public funds", and was dismissed from the service. The attention of the department was drawn to the case when it was observed that there was no intention to seek recovery of the amount of the shortage. Although, as in previous cases, the departmental legal officers were of the opinion that negligence had not been proven and therefore an administrative deduction could not be assessed, the department decided to refer the case to the Department of Justice for an opinion. The opinion received was to the effect that to take so strict a view of the present regulations concerning liability for public property "would permit a servant charged with the responsibility of accounting for his master's monies entrusted to him to evade that responsibility and the heavy presumption that his negligence caused the deficiency by simply stating that he could offer no explanation of the deficiency". As a result of this opinion, the \$405 was recovered from monies withheld from the officer at the time of his dismissal.

During the year a similar opinion was given by the Department of Justice in another case and resulted in a deduction of \$1,000 against an officer who was short \$2,000 and unable to explain the deficiency satisfactorily.

It is understood that the department has under consideration amending the regulations to make it plain that an officer or man who has funds in his custody is responsible to make good any loss that may occur unless he is able to give a satisfactory explanation of the loss.

84. *Unusual payment from a special account of Canadian Wheat Board.* Although the Auditor General is not the auditor of the Canadian Wheat Board, the unusual nature of a payment approved by an Order in Council out of a special account provided for by statute is regarded as bringing it within the scope of Section 70 of the Financial Administration Act, which requires the Auditor General to call attention, among other things, to any other case that he "considers should be brought to the notice of the House of Commons".

Section 29A of the Canadian Wheat Board Act, as amended by c. 26, 1952-53, provides for the transfer to a "separate account", after the payment of certain costs, of undistributed balances that have been held by the Board for six years or more. Subsection (2) of the section reads, in part:

"Any balance transferred to the separate account... shall be used for such purposes as the Governor in Council, upon the recommendation of the Board, may deem to be for the benefit of producers."

On September 23, 1959, an annex of one of the terminal elevators at Port Arthur collapsed, dumping into Lake Superior substantial quantities of wheat, oats and barley. Included in the loss was grain owned by the Canadian Wheat Board, to a value of \$2,406,175, as evidenced by warehouse receipts. The company that operates the terminal

took the position that the Board as holder of the warehouse receipts, sustained the loss occasioned by the destruction of the grain to the extent of the warehouse receipts it held (although information on file indicates that the company did not take this position with respect to relatively small quantities of flaxseed and rye which were also lost, and with respect to which it honoured all outstanding warehouse receipts thereby absorbing the loss incurred). On the other hand, the Canadian Wheat Board took the position that its right against the company to deliver wheat, oats and barley in accordance with the terms of the warehouse receipts was unaffected by the destruction of the grain in the annex.

The dispute was referred to the Minister of Trade and Commerce who, after discussing the matter with the Chief Commissioner and other officials of the Board and with representatives of the company, recommended to the Governor in Council that a sum of \$775,000 be paid out of the Separate Account in settlement of the balance of the loss, following payment by the company of \$1,631,175. Having regard for the requirement of subsection (2) of Section 29A, quoted above, the Order in Council approving the payment recited that:

"the Canadian Wheat Board recommends that if the Governor in Council considers such payment to be for the benefit of producers, a sum of \$775,000 of the monies in the said Separate Account be used to pay the balance of the purchase price in the sum of \$775,000 . . ."

Summary of Assets and Liabilities

85. Section 64 of the Financial Administration Act requires that there be included in the Public Accounts a statement certified by the Auditor General of "such of the assets and liabilities of Canada as in the opinion of the Minister [of Finance] are required to show the financial position of Canada as at the termination of the fiscal year".

86. The Statement of Assets and Liabilities for the year ended March 31, 1960, with comparative figures at the end of the preceding year, prepared and certified in accordance with this requirement, is given as Appendix 2 to this report. The Statement was prepared on a modified cash basis, as in previous years, and explanations regarding certain aspects of this basis of presentation are included in the introduction to the Public Accounts, as follows:

"With certain exceptions, taxes and revenues receivable, revenue and other asset accruals and inventories of materials, supplies and equipment are not recorded as assets (except when these are held as charges against working capital accounts or revolving funds) nor are public works and buildings or other fixed or other capital assets. Following the principle that only realizable or interest- or revenue-producing assets should be offset against the gross liabilities, costs of capital works are charged to expenditures at the time of acquisition or construction. Consequently, government buildings, public works, national monuments, military assets (such as aircraft, naval vessels, and army equipment) and other capital works and equipment are recorded on the statement of assets and liabilities at a nominal value of \$1 . . .

"On the liabilities side, accrued liabilities (except for interest accrued on the public debt) are not taken into account in determining the obligations of the government. However, under section 35 of the Financial Administration Act, liabilities under contracts and other accounts payable at March 31 if paid on or before April 30 may be charged to the accounts for the year. These are recorded as accounts payable in the 'Current and demand liabilities' schedule of the statement of assets and liabilities."

Assets

87. The following table lists the assets at March 31, 1960 by main headings in the Statement of Assets and Liabilities (Appendix 2) in comparison with the corresponding balances at the close of the two previous fiscal years:

	March 31, 1958	March 31, 1959	March 31, 1960
Current assets	\$ 699,729,000	\$ 910,944,000	\$ 862,147,000
Advances to the Exchange Fund Account ..	1,975,000,000	1,995,000,000	1,960,000,000
Sinking fund and other investments held for retirement of unmatured debt	211,741,000	83,214,000	85,272,000
Loans to and investments in Crown cor- porations	2,554,409,000	3,271,061,000	3,446,662,000
Loans to national governments	1,487,985,000	1,448,960,000	1,414,528,000
Other loans and investments	662,648,000	683,056,000	934,471,000
Securities held in trust	22,646,000	20,742,000	30,612,000
Deferred charges—Unamortized loan flota- tion costs	77,535,000	147,431,000	150,993,000
Unamortized portion of actuarial deficiencies	139,000,000	465,300,000	465,300,000
Suspense accounts	2,000	2,000	33,000
Inactive loans and investments	90,854,000	92,216,000	93,539,000
Total Assets	7,921,549,000	9,117,926,000	9,443,557,000
Less—Reserve for losses on realization of assets	546,384,000	546,384,000	546,384,000
Net Assets	\$ 7,375,165,000	\$ 8,571,542,000	\$ 8,897,173,000

88. *Current assets.* The balances included under this heading at March 31, 1960 with the comparable balances at the close of the two previous years were:

	March 31, 1958	March 31, 1959	March 31, 1960
Cash	\$ 468,013,000	\$ 640,459,000	\$ 565,436,000
Departmental working capital advances and revolving funds:			
Agricultural commodities stabilization ac- count	26,524,000	67,078,000	120,698,000
Defence production revolving fund	54,576,000	30,161,000	20,667,000
Other	49,181,000	54,743,000	54,645,000
	130,281,000	151,982,000	196,010,000
Securities investment account	79,846,000	98,031,000	77,863,000
Other current assets	21,589,000	20,472,000	22,838,000
	\$ 699,729,000	\$ 910,944,000	\$ 862,147,000

The increase of \$53,620,000 (80%) in the Agricultural Commodities Stabilization Account at March 31, 1960 compared with the corresponding balance at the end of the preceding year was largely accounted for by increases of \$53,249,000 (256%) in the inventory of pork and \$9,864,000 (30%) in the inventory of butter, less a decrease of \$9,345,000 (94%) in the inventory of dry skimmed milk. The reduction of \$9,494,000 (31%) in the Defence Production Revolving Fund resulted largely from the repayment to the Fund by Canadian Arsenals Limited of \$7,500,000 of working capital advances.

89. *Advances to the Exchange Fund Account.* The purpose of the Exchange Fund Account, which is operated on behalf of the Minister of Finance by the Bank of Canada, is "to aid in the control and protection of the external value of the Canadian monetary unit".

The advances to the Account at March 31, 1960 are included in the Statement of Assets and Liabilities at their full total of \$1,960 million. A parenthetical note associated with the item explains that the value of the investments from advances was \$1,746 million at March 31, 1960, indicating an unrecorded deficiency of \$214 million. The following briefly summarizes the nature of this deficiency:

Net loss on dealings in gold and foreign currencies and securities and on revaluations of gold and foreign currencies, since establishment of the Exchange Fund Account in 1935	\$ 136,000,000
Exchange loss arising from valuation of United States dollar holdings at the exchange rate of \$0.95½ at March 31, 1960	78,000,000
	<hr/>
	\$ 214,000,000
	<hr/>

Comment is made in paragraph 106 regarding the practice of carrying the advances made to the Exchange Fund Account without adjustment for the deficiency shown above.

90. *Sinking fund and other investments held for retirement of unmatured debt.* The following is a summary of the balances comprising this item at March 31, 1960 in comparison with the corresponding balances at the close of the two previous years:

	<u>March 31, 1958</u>	<u>March 31, 1959</u>	<u>March 31, 1960</u>
Investments held for sinking fund maintained with respect to Newfoundland loans assumed under Terms of Union .. \$	13,886,000	\$ 14,931,000	\$ 15,960,000
Additional investment in Newfoundland guaranteed stock held for retirement of Newfoundland loans	18,761,000	18,811,000	19,822,000
Investments held for retirement of loans payable in New York	179,094,000	49,472,000	49,490,000
	<hr/>	<hr/>	<hr/>
	\$ 211,741,000	\$ 83,214,000	\$ 85,272,000
	<hr/>	<hr/>	<hr/>

91. *Loans to and investments in Crown corporations.* The following table lists these loans and investments at March 31, 1960 with the comparable balances at the close of the two previous years:

	March 31, 1958	March 31, 1959	March 31, 1960
Central Mortgage and Housing Corporation	\$ 668,017,000	\$ 1,003,576,000	\$ 1,318,683,000
Canadian National Railways	1,266,227,000	1,468,179,000	1,207,808,000
The St. Lawrence Seaway Authority	176,743,000	282,819,000	315,927,000
National Harbours Board	125,431,000	145,632,000	161,398,000
Northern Ontario Pipe Line Crown Corporation	70,750,000	113,500,000	121,500,000
Farm Credit Corporation	65,172,000	87,219,000	115,700,000
Atomic Energy of Canada Limited	56,044,000	58,789,000	59,374,000
Northern Canada Power Commission	14,355,000	21,639,000	34,585,000
Polymer Corporation Limited	30,000,000	30,000,000	30,000,000
Canadian Overseas Telecommunication Corporation	12,636,000	12,979,000	22,590,000
Other balances	69,034,000	46,729,000	59,097,000
	<u>\$ 2,554,409,000</u>	<u>\$ 3,271,061,000</u>	<u>\$ 3,446,662,000</u>

The \$315 million increase in the investment in the Central Mortgage and Housing Corporation resulted from loans of \$352 million being made to the Corporation during the year, under Section 22 of the Central Mortgage and Housing Corporation Act, less repayments in respect of loans made in previous years.

The decrease of \$260 million during the year in the loans to and investment in the Canadian National Railways resulted from repayments of advances to the extent of \$490 million, while advances made to the company under annual Canadian National Railways Financing and Guarantee Acts amounted to \$208 million, and purchases of 4% preferred stock under Section 6 of the Canadian National Railways Capital Revision Act, c. 311, R.S., amounted to \$22 million.

The \$59,097,000 of "other balances" at March 31, 1960 included loans to or investments in the following corporations: National Capital Commission, \$17,742,000; Export Credits Insurance Corporation, \$10,000,000; Eldorado Mining and Refining Limited, \$8,247,000; Canadian Arsenals Limited, \$7,500,000; Canadian Commercial Corporation, \$6,000,000; and Bank of Canada, \$5,920,000.

92. *Loans to national governments.* The following is a listing of the balances of these loans at March 31, 1960 in comparison with the corresponding balances at the close of the two previous years:

	March 31, 1958	March 31, 1959	March 31, 1960
Belgium	\$ 43,833,000	\$ 41,526,000	\$ 39,219,000
France	169,000,000	160,550,000	152,100,000
India	16,173,000	33,000,000	33,000,000
Netherlands	89,504,000	84,340,000	79,177,000
United Kingdom	1,163,397,000	1,124,703,000	1,108,287,000
Other countries	6,078,000	4,841,000	2,745,000
	<u>\$ 1,487,985,000</u>	<u>\$ 1,448,960,000</u>	<u>\$ 1,414,528,000</u>

Of the \$34 million decrease during the year under review, \$18 million resulted from repayments by Belgium, France, the Netherlands and Norway, of loans made to them under the provisions of the Export Credits Insurance Act, while \$16 million was repaid by the United Kingdom on the loan authorized by the United Kingdom Financial Agreement Act, 1946.

93. *Other loans and investments.* The balances comprising this asset item at March 31, 1960, with the comparable balances for the two previous years, were:

	March 31, 1958	March 31, 1959	March 31, 1960
Subscriptions to capital of and working capital advances and loans to international organizations	\$ 372,561,000	\$ 369,916,000	\$ 605,175,000
Veterans' Land Act advances	201,733,000	192,857,000	188,903,000
Less—Reserve for conditional benefits ..	47,760,000	41,857,000	37,277,000
	153,973,000	151,000,000	151,626,000
Loans to provincial governments	70,828,000	96,339,000	90,397,000
Old Age Security Fund, temporary loan .			28,001,000
Balances receivable under agreements of sale of Crown assets	21,963,000	19,105,000	15,982,000
Other balances	43,323,000	46,696,000	43,290,000
	<u>\$ 662,648,000</u>	<u>\$ 683,056,000</u>	<u>\$ 934,471,000</u>

The increase of \$235 million (64%) in the first of these items during 1959-60 was due to the increase of that amount in Canada's subscription to the capital of the International Monetary Fund. The \$28 million temporary loan to the Old Age Security Fund represented the deficit from the Fund's transactions for 1959-60 carried forward to 1960-61; in the preceding year the deficit in the Fund's operations was charged to budgetary expenditures (see paragraph 28). This accounting treatment stems from the decision, stated in the Budget Speech of April 9, 1959, to carry the deficit forward to 1960-61, in anticipation that it would be covered by increased receipts credited to the Fund as a result of the increased rates of old age security tax.

94. *Securities held in trust.* The net increase of \$10 million (48%) in this item is more than accounted for by the inclusion in 1959-60 for the first time of \$14 million of security bonds lodged by various departments with the Securities Deposit Branch of the Department of Finance. The most significant amounts were \$6 million of guarantee deposits with the Department of Northern Affairs and National Resources in connection with permits for exploratory work with respect to oil and gas on territorial lands, and \$6 million of guarantee deposits with the Department of National Revenue to secure payment of customs duties and excise taxes on certain products released in advance.

95. *Unamortized portion of actuarial deficiencies.* The amounts appearing under this caption in the Statement represent the extent to which the balances at credit of the Public

Service Superannuation Account and the Canadian Forces Superannuation Account—apart from the non-cash entries referred to in paragraphs 107 and 108—fell short of the estimated actuarial liabilities of the two pension plans, calculated as at December 31, 1951 and March 31, 1958, respectively.

In our opinion, there should be a plan, approved by Parliament, for amortizing the balances of these two actuarial deficiencies, aggregating \$465,300,000 at March 31, 1960, if they are to continue to be carried as "assets" on the Statement and if the offsetting credits are to remain in the two superannuation accounts. Explanations regarding these credits are given in paragraphs 107 and 108.

96. *Inactive loans and investments.* The \$93,539,000 shown for this item in the Statement at March 31, 1960 comprised the following balances:

Loan to China, in 1946, under the Export Credits Insurance Act	\$ 49,426,000
Loans to Greece and Roumania, in 1919, for the purchase of goods produced in Canada	30,854,000
Balance arising out of implementation of guarantee, given under the Export Credits Insurance Act, of loans by chartered banks to Ming Sung Industrial Company (carrying prior guarantee by the Government of China)	13,185,000
Loan to Province of Saskatchewan, in 1908, for the purchase of seed grain	74,000
	<hr/>
	\$ 93,539,000
	<hr/>

The amount shown for the third item in the above listing is \$1,323,000 greater than the corresponding amount at March 31, 1959 by reason of a payment covering \$1,275,000 of principal and \$48,000 of interest during 1959-60 under the terms of the guarantee. A contingent liability exists to meet the final payment of \$1,285,000 in 1960-61, covering \$1,275,000 of principal and \$10,000 of interest.

Liabilities

97. The following table lists the liabilities at March 31, 1960 by main headings in the Statement of Assets and Liabilities (Appendix 2) in comparison with the corresponding balances at the close of the two previous fiscal years:

	March 31, 1958	March 31, 1959	March 31, 1960
Current and demand liabilities	\$ 877,751,000	\$ 952,560,000	\$ 1,099,057,000
Deposit and trust accounts	187,037,000	237,917,000	242,673,000
Annuity, insurance and pension accounts ..	2,712,813,000	3,301,861,000	3,565,376,000
Undisbursed balances of appropriations to special accounts	285,367,000	83,357,000	96,620,000
Deferred credits	76,813,000	81,429,000	83,961,000
Suspense accounts	36,551,000	18,664,000	8,528,000
Unmatured debt	14,245,107,000	15,574,113,000	15,890,152,000
	<hr/>	<hr/>	<hr/>
	\$ 18,421,439,000	\$ 20,249,931,000	\$ 20,986,367,000
	<hr/>	<hr/>	<hr/>

98. *Current and demand liabilities.* The balances comprising this item in the Statement at March 31, 1960 were:

Non-interest-bearing notes payable to the International Monetary Fund and the International Bank for Reconstruction and Development	\$ 381,828,000
Accounts payable	245,099,000
Outstanding Treasury cheques	228,768,000
Interest accrued	137,622,000
Other balances	105,740,000
	<hr/>
	\$1,099,057,000
	<hr/>

The only significant change in any of these balances during the year under review was an increase of \$176 million in the first amount, due to the issue of additional non-interest-bearing notes payable to the International Monetary Fund as part of the increase in Canada's subscription to the capital of the Fund (see paragraph 93).

99. *Deposit and trust accounts.* The following is a summary of the balances included in this item at March 31, 1960:

United States Strategic Air Command	\$ 33,927,000
Post Office Savings Bank	29,372,000
Indian trust funds	29,224,000
Contractors' security deposits	27,705,000
Deposits by Crown corporations	19,269,000
Contractors' holdbacks	17,398,000
Korean Operations Pool	16,104,000
Guarantee deposits	14,345,000
Canadian Pension Commission (Administration trust fund)	10,281,000
Other balances (77 in number)	45,048,000
	<hr/>
	\$ 242,673,000
	<hr/>

The accounts of the Korean Operations Pool are maintained by the Australian Government, and record the expenditures incurred by the Commonwealth countries which had participated in the Korean war, and the apportionment of these expenditures among the countries according to their respective shares. Canada received \$9,293,000 during the year ended March 31, 1960 as its share of the proceeds from the disposal of Pool equipment and stores. After crediting this amount, and charging \$573,000 as Canada's share of logistic support, the balance of \$16,104,000 at the credit of the account, as shown in the above table, represents the amount available towards settling the remainder of Canada's share of the expenditures when other participating governments submit their billings to the Pool.

100. *Annuity, insurance and pension accounts.* The following is a listing of the balances making up this item at March 31, 1960 in comparison with the corresponding balances at the close of the two previous years:

	<u>March 31, 1958</u>	<u>March 31, 1959</u>	<u>March 31, 1960</u>
Government annuities	\$ 1,047,641,000	\$ 1,105,825,000	\$ 1,156,867,000
Public Service Superannuation Account	1,045,760,000	1,136,022,000	1,229,620,000
Canadian Forces Superannuation Account ..	513,869,000	942,315,000	1,053,011,000
Other balances	105,543,000	117,699,000	125,878,000
	<u>\$ 2,712,813,000</u>	<u>\$ 3,301,861,000</u>	<u>\$ 3,565,376,000</u>

The balance at the credit of the Government Annuities Account at the close of each fiscal year represented the actuarial liability in respect of outstanding annuity contracts. This was after annually crediting the Account (with a corresponding charge to Expenditure) with the amount required to adjust the balance to the year-end actuarial liability, as is required by Section 15 of the Government Annuities Act, c. 132, R.S.

Section 32 of the Public Service Superannuation Act, c. 47, 1952-53, requires that credits be given to the Public Service Superannuation Account (with corresponding charges to Expenditure) for the following:

- (a) interest on balances at credit of the Account;
- (b) annual contributions matching the total amounts of contributions by employees in respect of current service;
- (c) annual contributions, as determined by the Minister, matching amounts of contributions by employees in respect of past service; and
- (d) amounts to provide for the increase in cost to the Crown of benefits payable as a result of salary increases of general application to the Public Service.

The year-end balances at the credit of the Account, as shown in the above table, were after recording these statutory credits along with credits for employees' contributions. The balances also include \$139,000,000 which resulted from a non-cash entry made in a previous year, crediting the Account to increase the balance to the amount of the actuarial liability and charging an account called "unamortized portion of actuarial deficiency in the Public Service Superannuation Account" (see paragraph 107).

The balances at the credit of the Canadian Forces Superannuation Account at March 31, 1960 and at the close of the preceding year were after crediting, in addition to members' contributions, amounts provided by means of annual parliamentary appropriations (at one and two-thirds of the contributions by members of the forces) together with interest on the balances at credit of the Account. The balance was augmented by a non-cash credit of \$326,300,000 to the Account in 1958-59, with a corresponding charge to an account called "unamortized portion of actuarial deficiency in the Canadian Forces Superannuation Account" (see paragraph 108).

The "other balances" in the liability item "annuity, insurance and pension accounts" includes the uninvested portion of the Unemployment Insurance Fund on deposit with the Receiver General—\$22,765,000 at March 31, 1960. The amount of the Fund at the close of the 1959-60 fiscal year was \$377,258,000 (see also paragraph 109).

101. *Undisbursed balances of appropriations to special accounts.* The following is a listing of the balances comprising this item in the Statement of Assets and Liabilities, compared with the corresponding balances for the two previous years:

	March 31, 1958	March 31, 1959	March 31, 1960
Colombo Plan Fund	\$ 60,368,000	\$ 59,878,000	\$ 62,966,000
Railway Grade Crossing Fund	12,648,000	22,560,000	31,196,000
National Capital Fund	543,000	860,000	2,360,000
Other	69,000	89,000	98,000
National Defence Equipment Account	211,739,000		
	<u>\$ 285,367,000</u>	<u>\$ 83,387,000</u>	<u>\$ 96,620,000</u>

During the year ended March 31, 1960 an amount of \$50 million provided under Vote 98 was credited to the account for the Colombo Plan, while expenditures totalling \$46,912,000 were charged to the account for aid given to countries in South and South-East Asia.

Amounts totalling \$15 million, provided under Section 265 of the Railway Act and Vote 444, were credited to the account for the Railway Grade Crossing Fund during 1959-60, while expenditures totalling \$6,364,000 were incurred in aiding in the cost of installation of protective devices at railway grade crossings and in the cost of grade separations.

During the year ended March 31, 1960 an amount of \$4,000,000 provided under Vote 307 was credited to the account for the National Capital Fund, while amounts totalling \$2,500,000 were paid over to the National Capital Commission to finance the cost of capital projects approved by the Governor in Council.

The \$211,739,000 balance of the National Defence Equipment Account at March 31, 1958 was utilized in absorbing certain expenditures of the Department of National Defence during the year ended March 31, 1959 (see paragraph 27).

102. *Deferred credits.* The following is an analysis of this item at the close of the 1959-60 fiscal year:

Deferred interest on loans made under the United Kingdom Financial Agreement Act, 1946	\$ 44,174,000
Deferred interest on loans to The St. Lawrence Seaway Authority	19,427,000
Credits arising from the recording of agreements of sale of Crown assets	13,554,000
Equity in agency account of Crown Assets Disposal Corporation	5,603,000
Other balances	1,203,000
	<u>\$ 83,961,000</u>

The only significant change during the year was the increase of \$6,608,000 in the deferred interest on loans to The St. Lawrence Seaway Authority. This deferred interest will become payable by the Authority commencing in 1963, along with repayments of principal and current interest.

103. *Suspense accounts.* The only large balance included in this item on the liabilities side of the Statement of Assets and Liabilities at March 31, 1960 was that of \$3,623,000 at the credit of the Replacement of Materiel Account maintained pursuant to Section 11 of the National Defence Act. Amounts credited to the Account during the year for the proceeds of sales to other countries of "materiel not immediately required", totalled \$3,841,000, while the amounts applied towards the procurement of materiel during the year totalled \$14,063,000. There was accordingly a reduction of \$10,222,000 during the year in the balance of the Account.

104. *Unmatured debt.* A summary of the unmaturred debt outstanding at March 31, 1960, in comparison with balances outstanding at the close of the two previous years, is as follows:

	<u>March 31, 1958</u>	<u>March 31, 1959</u>	<u>March 31, 1960</u>
Bonds:			
Payable in Canada	\$ 12,368,296,000	\$ 13,777,302,000	\$ 13,563,341,000
Payable in London	51,811,000	51,811,000	51,811,000
Payable in New York	300,000,000	150,000,000	150,000,000
	<u>12,720,107,000</u>	<u>13,979,113,000</u>	<u>13,765,152,000</u>
Treasury Bills	1,525,000,000	1,595,000,000	2,125,000,000
	<u>\$ 14,245,107,000</u>	<u>\$ 15,574,113,000</u>	<u>\$ 15,890,152,000</u>

Net Debt

105. With the Liabilities amounting to \$20,986,367,000 (paragraph 97) and the Assets to \$8,897,173,000 (paragraph 87), the Net Debt at March 31, 1960 was \$12,089,194,000. The following is an analysis of the Net Debt Account for the year under review:

Balance at March 31, 1959		\$ 11,678,390,000
Deduct—Write-up of loans to:		
City of Montreal re Atwater Avenue Tunnel	\$ 2,000,000	
City of Vancouver re Airport Terminal Building	306,000	
		<u>2,306,000</u>
		11,676,084,000
Add—Deficit for the fiscal year 1959-60:		
Expenditure	5,702,861,000	
Revenue	5,289,751,000	
		<u>413,110,000</u>
Balance at March 31, 1960		<u>\$ 12,089,194,000</u>

The credits resulting from the write-up of the two loans were the amounts, as determined during the year, to be recovered under the terms of the agreements with the respective cities as their shares of the construction costs of the projects mentioned. The full amount of the cost of each project had been charged to Expenditure in previous years.

Comments on Asset and Liability Items

106. *Advances to Exchange Fund Account.* In paragraph 89 reference is made to the composition of the unrecorded deficiency between the advances to the Exchange Fund Account, included in full as an asset in the Statement, and the value of investments from advances at the year-end.

As the net loss amounting to \$136 million on dealings in gold and foreign currencies and securities, and on revaluations of gold and foreign currencies, represented a cost of exchange management over the period since the establishment of the Account, we are of the opinion that it should be written off in the accounts of Canada with parliamentary authority.

The Currency, Mint and Exchange Fund Act, under which the Exchange Fund Account operates, makes provision for payment of interest earnings to the Receiver General within three months after the end of each calendar year. In our opinion, consideration should be given to transferring annually to the Consolidated Revenue Fund the profit or loss resulting from trading operations and revaluations of holdings.

107. *Public Service Superannuation Account.* In paragraph 100 mention is made of the fact that the balance of the Public Service Superannuation Account, forming part of the "annuity, insurance and pension accounts" item, included \$139,000,000 which resulted from a non-cash entry made in a previous year, which at the same time set up an offsetting "asset" item called "unamortized portion of actuarial deficiency in the Public Service Superannuation Account". It is understood that the Department of Finance relied for the making of this entry (which increased the balance at the credit of the Account to an amount equal to the actuarial liability) on the general direction given by Section 64 of the Financial Administration Act that the Statement include "such of the assets and liabilities of Canada as in the opinion of the Minister are required to show the financial position of Canada as at the termination of the fiscal year".

In the Audit Office view, as has been mentioned in previous annual reports, the Account should have been credited only with amounts provided for by the Public Service Superannuation Act. The actuarial deficiency in the Account at the year-end should, in the opinion of the Audit Office, have been disclosed by means of a footnote to the Statement of Assets and Liabilities.

Another point that is of audit concern was mentioned in the report for 1954, namely, that when the balance is increased through the crediting of amounts that are not provided

for by statute, a question arises as to the legality of charging Expenditure for the extra amount of interest credited annually (\$7,994,000 in 1959-60) as the Act authorizes interest to be credited only "on the balance at credit of the Account".

No special appropriation was provided during the year under review to reduce the actuarial deficiency. An actuarial report dated August 1959 indicated that the deficiency had increased from \$139 million to \$277 million at December 31, 1957.

108. *Canadian Forces Superannuation Account.* In paragraph 100 reference is made to the non-cash entry of \$326,300,000 which gave credit to this Account in 1958-59, with a corresponding charge being made to the "asset" account entitled "unamortized portion of actuarial deficiency in Canadian Forces Superannuation Account". In the Audit Office view, amounts additional to contributions by members of the forces should be credited to the Account only when authorized by parliamentary appropriations. The question of the propriety of charging Expenditure for the additional interest credited annually (\$13,651,000 in 1959-60) by reason of the enlargement of the balance at credit of the Account arises in the same way as in the case of the Public Service Superannuation Account mentioned in the preceding paragraph.

Not only was no special appropriation provided to reduce the actuarial deficiency during the year under review but, the rates of contribution having remained the same, the deficiency has undoubtedly increased. A reason is that the Canadian Forces Superannuation Act, c. 21, 1959, which replaced the Defence Services Pension Act with effect from July 8, 1959, permits benefits greater than had been provided under the former Act, for example:

- (a) Under the former Act a member of the forces who had served for 10 years or more and was released because of inefficiency in the performance of his duties was entitled to only one-half pension to age 65 and two-thirds pension thereafter. The present Act continues this entitlement but also permits a larger award to be made at the discretion of the Treasury Board (for example, an officer released because of inefficiency was awarded a pension of \$2,732 a year instead of the statutory minimum of \$1,438, as mentioned in paragraph 52).
- (b) Under the former Act a member of the forces who had served for less than 20 years and retired voluntarily was entitled only to a return of his contributions. The present Act provides, as an alternative, for an award of pension at the discretion of the Treasury Board if the member has served for 10 years or more (for example, a 42 year old officer who had contributed only \$5,481 to the Fund was granted an annuity of \$1,526, having a capital value of approximately \$38,000, after serving some 17 years).

109. *Unemployment Insurance Fund.* In paragraph 100 reference is made to the practice of including in the item for "annuity, insurance and pension accounts" only the uninvested portion of the Unemployment Insurance Fund. There may be technical arguments in favour of this method of presentation since, under the Unemployment Insurance Act, the investments of the Fund are held in trust by the Bank of Canada

for the Unemployment Insurance Commission. However, the practice places the Unemployment Insurance Fund in a position similar to a Crown corporation although, unlike such a corporation:

- (a) all the receipts of the Commission flow into the Consolidated Revenue Fund and all disbursements made for purposes of the Fund are paid out of the Consolidated Revenue Fund; and
- (b) the Commission is not required by statute to prepare annual financial statements subject to audit.

It is therefore the Audit Office view, as was stated in the report for 1956-57, that the practice of including in the liability item only the uninvested portion of the Fund should be further considered. Were the full amount of the Fund to be included in the item, the securities held at the year-end would be carried as a contra item on the Assets side of the Statement.

The balance at credit of the Fund at March 31, 1960 was \$365,892,000, a decrease of \$560,885,000 from its highest level of \$926,777,000 in December 1956. The large decrease in the balance at credit of the Fund during the last three fiscal years is analyzed in the following table:

	<u>1957-58</u>	<u>1958-59</u>	<u>1959-60</u>
Expenditures:			
Benefit payments	\$ 385,078,000	\$ 478,631,000	\$ 415,234,000
Interest on advances from the Minister of Finance			1,517,000
			<u>416,751,000</u>
Revenues:			
Contributions from employers and employees ..	189,179,000	185,487,000	228,616,000
Contributions by Government of Canada	37,836,000	37,097,000	45,723,000
Other receipts	28,004,000	21,773,000	16,907,000
Less: Loss on sale of securities	4,182,000	10,115,000	8,414,000
	<u>23,822,000</u>	<u>11,658,000</u>	<u>8,493,000</u>
	<u>250,837,000</u>	<u>234,242,000</u>	<u>282,832,000</u>
Excess of Expenditures over Revenues, representing decrease in balance at credit of the Fund ..	<u>\$ 134,241,000</u>	<u>\$ 244,389,000</u>	<u>\$ 133,919,000</u>

The excess of expenditures over revenues in 1959-60, shown above at \$133,919,000, was financed by advances from the Minister of Finance under Section 86 of the Act and by the sale of securities. The advances, which totalled \$79,000,000, were repaid by the end of the year.

The numbers of persons receiving unemployment insurance benefits at the close of each of the past three years were as follows: 859,639 at March 31, 1958, 766,852 at March 31, 1959, and 823,005 at March 31, 1960.

Changes in the Unemployment Insurance Act and regulations over the years have resulted in a broadening of the coverage and in decreasing emphasis on insurance principles recognized when the Fund was established in 1941. Various classes of seasonal employment were successively brought under the Act. Those employed in lumbering and logging operations in British Columbia were made insurable in 1945, transportation by water in 1946, stevedoring in 1948, lumbering and logging operations in the remainder of Canada in 1950, and fishing in 1957. Separate figures in respect of benefits paid to and contributions received from these special classes are available only for fishermen; they received benefits approximating \$26,700,000 from April 1957 to March 31, 1960, whereas contributions for this class during the same period amounted to \$2,900,000.

Special regulations imposed additional conditions on seasonal workers, and also on farmers who engage in insurable employment in the farming off-season, and on married women, to test that they were actually in the labour market when applying for benefits. However, these special regulations were in due course revoked, those applicable to seasonal workers because they came into conflict with regulations governing seasonal benefits, and those applicable to farmers and married women because they were considered discriminatory.

The coverage of fishermen, the majority of whom are self-employed rather than under contract of service, has created serious difficulties in administration and control because it is not practicable to apply two of the basic conditions for receiving benefits, i.e., that the applicant be unemployed and available for work.

Older workers, many of whom have been pensioned from their regular employment, and married women also present special problems because of the difficulty in verifying that they are actually in the labour market and therefore entitled to benefit payments.

Supplementary benefits were introduced in February 1950 to meet the needs of claimants who had not made a sufficient number of contributions to qualify for regular benefits, the rate being about 80% of the regular benefit rate. The period during which supplementary benefits could be drawn was originally three months, but in 1953 this was extended to 3½ months, with contributions to the Fund being increased in recognition of the resultant additional benefit payments. In 1955 these supplementary benefits were made equal to regular benefits and the name changed to 'seasonal'. Effective December 1957, the number of weeks of benefit for a given number of contribution-weeks was increased and the seasonal benefit period was extended (by 3½ months for the winter of 1957-58 and by 2 months for each of the last two winters). No increases in contributions to the Fund were provided to compensate for the additional cost arising from the above

changes. In September 1959 there was a general increase in contribution rates but no special contribution was made to compensate for the previous drain on the Fund caused by these changes in seasonal benefits.

The report of the actuary, dated July 12, 1960, observes that "there is a distinct possibility that if unemployment conditions continue at the level that prevailed in 1957-60, the Unemployment Insurance Fund may be exhausted in two or three years unless action is taken to increase revenue or decrease benefit payments".

Crown Corporations

110. Section 87 of the Financial Administration Act requires the auditor of an agency or a proprietary Crown corporation to report annually to the appropriate Minister the result of his examination of the accounts and financial statements of the relative corporation, and the report is required to state whether, in the auditor's opinion:

- "(a) proper books of account have been kept by the corporation;
- (b) the financial statements of the corporation
 - (i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - (ii) in the case of the balance sheet, give a true and fair view of the state of the corporation's affairs as at the end of the financial year, and
 - (iii) in the case of the statement of income and expense, give a true and fair view of the income and expense of the corporation for the financial year; and
- (c) the transactions of the corporation that have come under his notice have been within the powers of the corporation under this Act and any other Act applicable to the corporation."

In addition, the auditor is required to call attention to any other matter falling within the scope of his examination that in his opinion should be brought to the attention of Parliament.

111. Section 87 of the Act further requires that the annual report of the auditor be included in the annual report of each corporation, and Section 85 directs that such annual report be laid before Parliament by the appropriate Minister within fifteen days after he receives it from the corporation or, if Parliament is not in session, within fifteen days after the commencement of the next ensuing session.

The financial statements of the various corporations, together with the related audit reports, are published in Volume II of the Public Accounts.

112. The Auditor General is eligible to be appointed the auditor, or a joint auditor, of a Crown corporation, and the accounts and financial statements of 22 of the 26 corporations were examined by the Audit Office in the year under review, as follows:

<u>Corporation</u>	<u>Reporting Minister</u>
<i>Agency corporations:</i>	
Atomic Energy of Canada Limited	Trade and Commerce
Canadian Arsenals Limited	Defence Production
Canadian Commercial Corporation	Defence Production
Canadian Patents and Development Limited	Trade and Commerce
Crown Assets Disposal Corporation	Defence Production
Defence Construction (1951) Limited	Defence Production
National Capital Commission	Public Works
National Harbours Board	Transport
Northern Canada Power Commission	Northern Affairs and National Resources
Park Steamship Company Limited	Transport
The National Battlefields Commission	Northern Affairs and National Resources
<i>Proprietary corporations:</i>	
Canadian Broadcasting Corporation	National Revenue
Canadian Overseas Telecommunication Corporation	Transport
Cornwall International Bridge Company Limited	Transport
Eldorado Aviation Limited	Trade and Commerce
Eldorado Mining and Refining Limited	Trade and Commerce
Export Credits Insurance Corporation	Trade and Commerce
Farm Credit Corporation	Agriculture
Northern Transportation Company Limited	Trade and Commerce
Polymer Corporation Limited	Defence Production
The St. Lawrence Seaway Authority	Transport
<i>Other:</i>	
Northern Ontario Pipe Line Crown Corporation	Trade and Commerce

113. The accounts of the following Crown corporations and other public instrumentalities were not examined by the Auditor General during the year under review:

	<u>Reporting Minister</u>
Bank of Canada	Finance
Canadian National Railways	Transport
The Canadian National Railways Securities Trust	Transport
Canadian National (West Indies) Steamships Limited ...	Transport
The Canadian Wheat Board	Trade and Commerce
Central Mortgage and Housing Corporation	Public Works
Industrial Development Bank	Finance
Trans-Canada Air Lines	Transport

114. The following paragraphs summarize the operating results of Crown corporations whose accounts were examined by the Audit Office during the year and include comments regarding the extent of the Crown's equity in each at the year-end, together with references to any qualifications made or explanations given by the Auditor General in his statutory audit report. They do not include references to the contents of Audit Office reports (see paragraph 9) where addressed to the managements of the corporations concerning their accounts for the year.

Agency Corporations

115. An agency corporation is an agent of Her Majesty in right of Canada and is responsible for the management of trading or service operations on a quasi-commercial basis, or for the management of procurement, construction or disposal activities on behalf of Her Majesty.

116. *Atomic Energy of Canada Limited.* Expenditures for the 1959-60 research program of this company aggregated \$31,574,000, of which \$20,047,000 was for operating costs and \$11,527,000 for capital outlays. In the case of the operating program, the available parliamentary appropriations and other income exceeded expenditures by \$972,000, which amount has been refunded to the Receiver General of Canada. Of the \$11,527,000 of capital expenditures, \$10,797,000 was provided for by a parliamentary appropriation and the balance out of retained earnings account. Income from the company's commercial operations amounted to \$3,154,000 and expenses to \$2,629,000. The resultant excess of income over expense of \$525,000 was credited to retained earnings account.

As at March 31, 1960, the Crown's financial interest in the company as reflected in the balance sheet amounted to \$62,794,000, comprising: unexpended balance of \$972,000 provided under a parliamentary appropriation; loans of \$5,374,000 to provide housing for employees; unrealized profit of \$753,000 on property sold on deferred payment terms; capital stock of \$54,000,000 and retained earnings of \$1,695,000. Apart from these amounts was the investment in that portion of the capital assets which had been written off as research expense over the years, to a total of \$89,184,000.

117. *Canadian Arsenals Limited.* During the year ended March 31, 1960, this company's sales amounted to \$25,049,000 and income from other sources was \$431,000, while cost of sales totalled \$20,965,000 and administrative expenses amounted to \$821,000. The resultant excess of income over expense for the year was \$3,694,000 before charging for unabsorbed overhead expenses. Cost of sales included charges for overhead at rates which would theoretically have absorbed overhead expenses had all the plants under the company's administration been operating at full capacity. As this was not the case, there were unabsorbed overhead expenses amounting to \$5,754,000 which were attributed to idle plant capacity. After taking this into consideration, the net result of operations was a deficit of \$2,060,000. A parliamentary appropriation (Vote 74) provided \$2,000,000 towards this deficit and the remaining \$60,000 was reflected in the balance sheet as recoverable from the Government of Canada at the year-end.

As at March 31, 1960 the company was financed by: advances of \$15,386,000 from the Department of National Defence in respect of orders placed; advances of \$7,500,000 from the Defence Production Revolving Fund; and advances of \$7,500,000 from the Government of Canada for working capital. The company had under its administration nine Government-owned plants, the total cost of which exceeded \$103,000,000.

118. *Canadian Commercial Corporation.* The income of this corporation for the year ended March 31, 1960 totalled \$227,000 while administrative expenses amounted to \$294,000, giving an excess of expense over income of \$67,000, which was charged to surplus account. At the year-end the corporation's agency account showed \$2,114,000 for obligations to principals, representing advances from various governments and international bodies. The Crown's equity in the corporation at the year-end consisted of \$6,000,000 of working capital advances and a surplus account balance of \$900,000.

The audit report to the Minister included a reference to certain advances having been made to a supplier, in excess of those normally provided, to enable a project to be completed. It was observed that repayment of the advances was dependent on settlement of a claim for contract adjustment made by the corporation to its customer.

119. *Crown Assets Disposal Corporation.* The proceeds from sales of surplus Crown assets by this corporation during the year ended March 31, 1960 amounted to \$8,405,000. As of April 1, 1959, the Governor in Council authorized the corporation to retain 4% of the net proceeds from sales of lands and buildings and 10% of the net proceeds of all other sales and other income earned by the corporation, to meet administrative costs and other expenses (previously the corporation had been authorized to retain 10% of the net proceeds of all sales and other income). The percentage of net proceeds of sales and other income, retained during the year under review, resulted in corporate income of \$738,000, which included \$90,000 derived from sales for the account of the United States Government. Administrative expenses amounted to \$606,000, leaving an excess of income over expense of \$132,000.

During the year, the Governor in Council directed the corporation to pay to the Receiver General, at intervals of not longer than six months, all of its surplus in excess of \$100,000, and remittances amounting to \$415,000 were made to the Receiver General in accordance with this direction.

120. *Defence Construction (1951) Limited.* The expenses incurred by this company during the year ended March 31, 1960 in supervising construction and maintenance projects for the Department of National Defence and others (involving expenditure of some \$103 million) totalled \$3,207,000. After deducting \$156,000 with respect to fees earned for various engineering and administrative services, etc., there remained \$3,051,000 of net operating expenses to be met from the parliamentary appropriation provided for the purpose.

121. *National Capital Commission.* During the year ended March 31, 1960, the Commission was provided with funds through a parliamentary appropriation of \$1,795,000 for "Administration, and Operation and Maintenance of parks, parkways and grounds adjoining Government Buildings at Ottawa and Hull". The funds thus provided were supplemented by income from equipment rentals, sales of supplies and nursery stocks, etc., in the amount of \$160,000, making available for expenditure a total of \$1,955,000. Expenditures totalled \$1,897,000 and the balance of \$58,000 was recorded as refundable to the Receiver General. Interest charges on Government of Canada loans, amounting to \$590,000, were provided for by means of a parliamentary appropriation of \$460,000 supplemented by rental and other income amounting to \$133,000. The unexpended balance of \$3,000 was recorded as refundable to the Receiver General.

As of March 31, 1960, a balance of \$2,360,000 was held by the Minister of Finance at the credit of the National Capital Fund, which was established by the National Capital Act, available for payment to the Commission to finance, with the approval of the Governor in Council, the cost of capital projects of the Commission and contributions towards the cost of municipal projects within the National Capital Region.

At the beginning of the year, the unexpended balance of funds received from the National Capital Fund by the Commission was \$345,000, to which was added \$2,500,000 drawn from the Fund and \$77,000 arising from sales of land. Capital outlays, principally for roads, driveways, parks and boulevards, amounted to \$1,806,000, while contributions to municipalities respecting capital works were \$595,000, leaving an unexpended balance at the end of the year of \$521,000.

Loans received by the Commission from the Government of Canada for the acquisition of property in the National Capital Region increased by \$10,642,000 during the year to \$17,742,000, and of this amount \$17,292,000 had been expended.

The accumulated cost of capital assets under the administration of the Commission amounted to \$51,194,000 at the year-end.

122. *National Harbours Board.* The Board's financial statements given in the Public Accounts are a consolidation of the balance sheets and statements of income and expense for the harbours of Halifax, Saint John, Chicoutimi, Quebec, Three Rivers, Montreal, Churchill and Vancouver, as well as the grain elevators at Prescott and Port Colborne and the Jacques Cartier Bridge at Montreal. Total operating income for the financial year ended December 31, 1959 amounted to \$24,206,000 and the operating expenses to \$15,598,000, leaving a net operating income of \$8,608,000. After adding income from investments, etc., of \$2,344,000 and deducting \$7,925,000 for interest on loans and advances, \$3,403,000 for provision for replacement of capital assets and \$219,000 for other special charges, a net loss of \$595,000 resulted. This amount was added to the accumulated deficit brought forward from the previous year.

The proprietary equity of the Government of Canada as of December 31, 1959, as shown on the Board's balance sheet, was \$399,243,000, comprising: value of assets transferred to the Board, \$56,923,000; loans and advances, \$265,997,000; interest in arrears on loans and advances, \$54,010,000; and reserve for replacement of capital assets and other reserves, \$89,085,000—less an accumulated deficit of \$66,772,000.

123. *Northern Canada Power Commission.* The Commission's income amounted to \$2,507,000 for the year ended March 31, 1960. Expenses amounted to \$2,117,000, comprising: operating expenses, \$834,000; maintenance, \$72,000; administration, \$156,000; interest on advances from the Government of Canada, \$507,000; and depreciation, \$548,000. The resultant net income of \$390,000 was carried to surplus account. At the year-end the balance at credit of surplus account was \$510,000 after transferring \$138,000 to the reserve for contingencies and \$105,000 to the reserve for extension, expansion and improvements. The balances in these reserve accounts then stood at \$815,000 and \$212,000, respectively.

The liability to the Government of Canada with respect to advances to the Commission for capital construction purposes under Sections 14 and 15 of the Northern Canada Power Commission Act was \$25,857,000, and for advances pursuant to agreements entered into under the Atlantic Provinces Power Development Act, \$9,201,000.

124. *Park Steamship Company Limited.* The active operations of this company ceased in 1947 on the disposal of the government-owned fleet of cargo ships under its administration, and the activities of the company have since been confined to the liquidation of the accounts and claims relating to those operations.

125. *The National Battlefields Commission.* During its financial year ended March 31, 1960, the activities of this Commission were financed by \$178,000 provided by a parliamentary appropriation. Expenditures amounted to \$171,000 and the excess of income over expense of \$7,000 was credited to the proprietary equity account.

The Government of Canada's equity in the Commission was \$1,437,000, represented by a special reserve fund of \$13,000 and a proprietary equity account balance of \$1,424,000.

Proprietary Corporations

126. A proprietary corporation is responsible for the management of lending or financial operations, or for the management of commercial and industrial operations involving the production of or dealing in goods and the supplying of services to the public.

127. *Canadian Broadcasting Corporation.* The expenses of the corporation for the year ended March 31, 1960 amounted to \$94,040,000. Costs of production and distribution for programs without advertising were recorded as \$48,387,000, and for programs with

advertising, as \$32,581,000. Operational supervision and services of \$6,878,000 and selling and general administration of \$5,703,000 largely accounted for the balance of the expenses. Commercial revenue amounted to \$38,162,000 and interest on investments and miscellaneous income to \$402,000. A parliamentary appropriation (Vote 43) provided \$58,404,000, of which \$6,104,000 was not required, with the result that the Government of Canada paid \$52,300,000 in respect of the net operating requirements of the radio and television services. Offsetting amounts of \$3,175,000 are recorded in the Statement of Operations and the Statement of Proprietor's Equity Account to compensate for the inclusion in operating expenses, for cost ascertainment purposes only, of the provision made for depreciation of capital assets.

The equity of the Government of Canada at March 31, 1960, as shown by the Statement of Proprietor's Equity Account, stood at \$34,232,000, representing working capital of \$6,000,000 and capital assets of \$28,232,000.

The International Broadcasting Service facilities are operated by the corporation on behalf of the Government of Canada and are shown on the corporation's balance sheet at cost in the amount of \$6,264,000. These facilities have been acquired over the years through charges to annual parliamentary appropriations for "International Shortwave Broadcasting Service—Construction or Acquisition of Buildings, Works, Land and Equipment, including Supervision".

128. *Canadian Overseas Telecommunication Corporation.* Income for the year ended March 31, 1960 amounted to \$5,778,000. Operating, administrative, traffic solicitation and other expenses aggregated \$3,892,000 and, after providing \$938,000 for income taxes, there was a net profit of \$948,000 which was credited to surplus account.

The Government of Canada's equity in the corporation at March 31, 1960, totalled \$25,179,000, consisting of \$22,590,000 advanced under Section 14 of the Canadian Overseas Telecommunication Corporation Act, together with \$2,589,000 at credit of surplus account.

129. *Cornwall International Bridge Company Limited.* This company is jointly owned by The St. Lawrence Seaway Authority and its United States counterpart, the Saint Lawrence Seaway Development Corporation. The company's income for its financial year ended September 30, 1959 amounted to \$320,000, principally derived from the assessment of bridge tolls. Operating and administrative expenses aggregated \$117,000. The resultant net income of \$203,000 was transferred to The St. Lawrence Seaway Authority in lieu of rental for the right-of-way over bridge, management fee, etc.

The shareholders' equity in the company totalled \$110,000, comprising \$50,000 of capital stock and a surplus balance of \$60,000, after deducting \$37,000 for the loss sustained on the abandonment of capital assets during the year under review.

130. *Eldorado Aviation Limited.* This company is a wholly-owned subsidiary of Eldorado Mining and Refining Limited providing aviation facilities exclusively to the Eldorado group. Operational and administrative expenses for the year ended December 31, 1959, amounting to \$962,000, including depreciation of \$153,000, were apportioned between Eldorado Mining and Refining Limited and its other subsidiary, Northern Transportation Company Limited, in the amounts of \$856,000 and \$106,000, respectively.

The capital of the company consisted of \$28,006 of capital stock together with a surplus balance of \$217,000 which arose from proceeds of insurance, profits on sale of aircraft and major spare parts and prior years' adjustments.

131. *Eldorado Mining and Refining Limited.* During the year ended December 31, 1959 sales and other income amounted to \$38,414,000, exclusive of amounts totalling \$295,330,000 derived from the sale of uranium concentrates purchased from other producers and on which no profit was earned by the company. Cost of sales totalled \$27,418,000 and scientific research, exploration and administrative costs totalled \$1,439,000. After a charge of \$1,043,000 for the cost of additional benefits in respect of past service, arising on establishment of a new pension plan for employees, and a provision for income tax in the amount of \$4,380,000, a net profit for the year of \$4,134,000 remained and was credited to surplus account. Dividends of \$4,230,000 were paid to the Receiver General during the year.

The Government of Canada's equity in the company as at December 31, 1959 amounted to \$53,306,000, represented by capital stock and surplus in the amounts of \$6,586,000 and \$46,720,000, respectively.

132. *Export Credits Insurance Corporation.* The income of this corporation for its financial year ended December 31, 1959, amounting to \$1,240,000, consisted of: premiums on risks insured, \$558,000; portion of premiums in respect of insurance entered into under Section 21 of the Export Credits Insurance Act, \$115,000; and interest earned on Government of Canada bonds, \$567,000. Administrative expenses amounted to \$235,000. Policyholders' claims amounting to \$176,000 were paid by the corporation, while recoveries of claims previously paid amounted to \$335,000. The net result of the operations for the year amounted to \$1,164,000 which was carried to the credit of the underwriting reserve, as required by Section 11A of the Export Credits Insurance Act.

The Government of Canada's equity in the corporation at December 31, 1959 was \$10,000,000, consisting of share capital of \$5,000,000 and capital surplus of \$5,000,000. Investments in Government of Canada securities held by the corporation at the year-end amounted to \$15,205,000 so that the Government's equity, plus the underwriting reserve of \$4,905,000, was more than offset by the Government securities held by the corporation.

The liability of the corporation under the contracts of insurance issued and outstanding as of December 31, 1959 totalled \$159,117,000, of which \$98,956,000 was for contracts entered into under Section 21 of the Act, which provides that all moneys

required to discharge the liabilities arising under such contracts are payable to the corporation by the Minister of Finance out of unappropriated moneys in the Consolidated Revenue Fund.

133. *Farm Credit Corporation.* This corporation is the successor to the Canadian Farm Loan Board, under the Farm Credit Act, c. 43, 1959, proclaimed on October 5, 1959. Under Section 30 of the Act, the Farm Credit Corporation assumed all property, rights, obligations and liabilities of the Canadian Farm Loan Board.

During the financial year ended March 31, 1960, 5,339 loans were made to farmers to a total of \$40,031,000, and repayments amounted to \$7,904,000. Loans outstanding at the balance sheet date, including accrued interest, amounted to \$120,152,000. Interest earned on loans to farmers during the year amounted to \$5,027,000 and other income to \$129,000. After deducting \$3,751,000 for interest on loans from the Government of Canada, an amount of \$1,405,000 was available to meet administrative expenses, which totalled \$1,165,000. The resultant net earnings of \$240,000 were carried to the statutory reserve for losses, increasing the balance at the credit of that reserve to \$3,749,000 at the year-end.

Pursuant to Section 30 of the Act, the issued and outstanding shares of capital stock of the Canadian Farm Loan Board, consisting of 50,000 shares with a fully paid value of \$5,000,000, were cancelled and a like amount was deemed to have been paid to the corporation, as capital, by the Minister of Finance under Section 12 of the Act. Government of Canada loans to the corporation as at March 31, 1960, amounted to \$110,700,000, including \$15,800,000 obtained during the last six months of the year at an interest rate of 5½% per annum. Under Section 16 of the Act, these funds were loaned to farmers at 5% per annum. Over the repayment period of 25 years, it is estimated that the interest loss to the corporation on these loans will amount to over \$2,000,000.

134. *Northern Transportation Company Limited.* The income of this company, a wholly-owned subsidiary of Eldorado Mining and Refining Limited, amounted to \$3,847,000 for its financial year ended December 31, 1959, while operating and administrative expenses and provisions for depreciation totalled \$3,287,000. After deducting \$400,000 for the cost of additional benefits in respect of past service, arising on establishment of a new pension plan for employees, and \$76,000 for the provision for income tax, \$84,000 remained which was credited to surplus account. During 1959, in order to provide for possible marine losses not protected by commercial insurance, the sum of \$100,000 was transferred from surplus account to a reserve for marine insurance. The parent company's equity in the company at December 31, 1959 was \$5,613,000, consisting of \$152,000 of capital stock and \$5,461,000 of surplus.

135. *Polymer Corporation Limited.* During its financial year ended December 31, 1959, net sales of products and services of this company amounted to \$59,847,000 and other income to \$405,000. Cost of sales amounted to \$50,923,000 and other expenses to

\$3,018,000. After providing \$2,621,000 for income tax, a net income for the year of \$3,690,000 resulted and was credited to surplus account. Dividends of \$3,000,000 were paid to the Receiver General during the year.

The Government of Canada's equity in the company at December 31, 1959 was \$57,750,000, consisting of \$30,000,000 in capital stock and \$27,750,000 in surplus.

136. *The St. Lawrence Seaway Authority.* The Authority commenced operations on April 25, 1959, and during the period to December 31, 1959 income from tolls and other sources totalled \$9,214,000. Administrative, operating and maintenance expenses amounted to \$3,953,000. After a charge of \$7,994,000 for interest on loans from the Government of Canada and provision of \$3,955,000 for depreciation, there was a net loss of \$6,688,000 which was carried to the deficit account.

Responsibility for the operation of non-toll canals and other properties at Lachine, Cornwall, Sault Ste. Marie and Niagara Peninsula was transferred to the Authority from the Department of Transport as from April 1, 1959. A net amount of \$1,656,000 was recovered from parliamentary appropriations to cover the operating and maintenance expenses of \$830,000 and the cost of construction of works and acquisition of equipment of \$1,139,000, less income from rentals, wharfage and other sources of \$313,000.

The Government of Canada's equity at December 31, 1959 is shown on the Authority's balance sheet as follows:

Capital assets transferred from Department of Transport, April 1, 1959 (including Welland Ship Canal at a value of \$130,716,000)	\$ 179,353,000
Loans under Section 25 of the Act	285,500,000
Interest on loans—matured and capitalized	24,427,000
	<hr/> 489,280,000
<i>Deduct:</i> Deficit—net loss for the period April 25, 1959, commencement of operations, to December 31, 1959	6,688,000
	<hr/> \$ 482,592,000

137. *Northern Ontario Pipe Line Crown Corporation.* The capital cost of \$124,583,000 of the Northern Ontario section of the all-Canadian natural gas pipe line at December 31, 1959 consisted of \$115,082,000 of assets acquired or in course of construction, and \$9,501,000 of engineering, administration and financing expenses, financed out of funds provided through loans by the Government of Canada under Section 6 of the Northern Ontario Pipe Line Crown Corporation Act. The excess of income from pipe line rentals of \$5,642,000, over interest on invested capital of \$4,792,000, amounted to \$850,000 and was credited to a reserve to be available for meeting obligations to the lessee, Trans-Canada Pipe Lines Limited, in the event that it exercises its rights under the existing purchase-option lease agreement.

Departmental Operating Activities

138. Extensive trading or servicing activities are operated by several departments, for example:

Agricultural commodities stabilization activities, operated by the Agricultural Stabilization Board under the Department of Agriculture;

National Film Board, under the Department of Citizenship and Immigration;

Royal Canadian Mint, under the Department of Finance;

Post Office activities;

Public Printing and Stationery activities;

Board of Grain Commissioners, under the Department of Trade and Commerce;

Canadian Government Elevators, operated by the Board of Grain Commissioners under the Department of Trade and Commerce;

Airports operations, under the Department of Transport.

139. A general statutory direction is contained in the Financial Administration Act as to the way in which the operating results of Crown corporations are to be reflected in annual financial statements. There are, however, no statutory directions regarding the preparation of financial statements in respect of trading or servicing functions carried on as departmental activities. Revenues arising from such activities are included in the accounts as revenues of the departments concerned, while the expenditures which involve cash outlays in the year are recorded as charges against the parliamentary appropriations for those departments. Where statutory revolving funds are used to acquire materials, statements summarizing the transactions in the revolving fund accounts are included in the Public Accounts.

It will be noted from the Public Accounts that there are a few instances where financial statements showing operating results from departmental operating activities are included. However, for the reasons already explained in paragraph 13, the costs shown in these statements include only the direct costs arising from cash outlays by the departments concerned.

140. *Agricultural commodities stabilization activities.* The Agricultural Stabilization Board was established by the Agricultural Stabilization Act, c. 22, 1957-58. Stabilizing measures take the form of either the purchase of commodities at prescribed prices, or payment to producers of the amounts by which prescribed prices exceed those determined by the Board to be the average prices at which commodities are currently being sold. Purchased commodities may be sold or otherwise disposed of by the Board. The Board's activities are financed through the Agricultural Commodities Stabilization Account, to which charges are made for purchases of commodities and for other expenditures incurred, except administration expenses, and to which credits are recorded for all monies received by the Board from sales of commodities.

The transactions recorded through the Agricultural Commodities Stabilization Account during the year ended March 31, 1960, as shown in the Public Accounts, page A-56, are summarized as follows:

Trading losses:	
Pork	\$ 27,862,000
Dry skimmed milk	8,108,000
Eggs	4,810,000
Butter	3,409,000
Other	697,000
	<hr/>
	\$ 44,886,000
Stabilization payments:	
Milk	9,844,000
Sugar beets	2,657,000
Wool	1,219,000
Soya beans	1,217,000
Other	396,000
	<hr/>
	15,333,000
	<hr/>
	\$ 60,219,000
	<hr/>

The above loss for 1959-60, which represented the direct cost of stabilization measures taken by the Board, together with a residual balance of \$107,000 brought forward from 1958-59, exceeded the amount of \$57,661,000 provided by Vote 640 by \$2,665,000, and this amount remained to be carried forward as a charge to Expenditure in 1960-61.

Various indirect costs were also incurred in relation to the stabilization program. The administrative expenses of the Agricultural Stabilization Board totalling \$224,000 were charged to the appropriation for "Agricultural Stabilization Act Administration" (Votes 10 and 490) as shown on page A-16 of the Public Accounts. In addition, special accounting services with respect to the stabilization program are rendered by the Office of the Comptroller of the Treasury, as a charge to the appropriation for the costs of that Office (Vote 107, 1959-60). Interest on the funds employed is not taken into consideration.

At March 31, 1960 inventories held by the Board amounted to \$117,796,000, comprising: pork, \$74,085,000; butter, \$42,256,000; and other inventories, \$1,455,000.

141. *National Film Board.* The National Film Board was established by the National Film Act, c. 185, R.S., in order to promote the production and distribution of films in the national interest. The expenditures of the Board are charged to the National Film Board Operating Account provided for by Section 18 of the Act, and the Account is credited with income from the sale of films and miscellaneous revenues, and with amounts transferred from annual parliamentary appropriations for "Administration, Production and Distribution of Films and Other Visual Materials" (Vote 234 in 1959-60).

Under provisions of the Act, the Board maintains an accounting system on the accrual basis, additional to the accounts maintained by the Comptroller of the Treasury with respect to cash transactions. The financial statements for the year ended March 31, 1960,

prepared from the Board's accounts, are included in the Public Accounts, pages T-9 to T-11. The following is a summary of the transactions for the year as shown in the Statement of Income and Expense:

Expense:	
Production of films	\$ 2,441,000
Distribution of films	1,912,000
Administration and general services	782,000
Cost of production of films and other visual materials for government departments and others	1,158,000
Acquisition of equipment	194,000
	<hr/>
	\$ 6,487,000
Income:	
Sales of film and other visual materials to government departments and others.....	1,359,000
Rentals and royalties	576,000
Miscellaneous	21,000
	<hr/>
	1,956,000
	<hr/>
Net expense	\$ 4,531,000
	<hr/>

The net expense for the year as thus determined is without including charges for amortization of building construction costs and office furniture and furnishings, maintenance services provided by the Department of Public Works, interest on funds employed, etc.

142. *Royal Canadian Mint.* The Royal Canadian Mint operates under Part II of the Currency, Mint and Exchange Fund Act, c. 315, R.S., which requires that facilities be provided for making coins of the currency of Canada and for melting, assaying and refining gold.

Revolving fund accounts are maintained for the purchase of the gold, silver and other metals used by the Mint in its operations, and inventories acquired through these accounts totalled \$11,380,000 at the beginning of the year under review. Metal purchases charged to the several "purchase accounts" during the year totalled \$95,172,000, comprising: gold, \$88,311,000; silver, \$6,441,000; nickel, \$162,000; bronze, \$257,000, and steel, \$1,000. Credits to the purchase accounts totalled \$100,036,000, comprising: \$90,384,000 for sales of gold to the Bank of Canada and sundry purchasers; \$8,219,000 for sales of silver coin; \$25,000 for sales of silver bullion; \$570,000 for nickel coins, and \$838,000 for bronze coins. The inventories on hand at March 31, 1960 amounted to \$11,503,000, after a downward adjustment of \$83,000 for year-end gold revaluation.

Amounts credited to the purchase accounts for sales of coin were at face value, and the excess of such amounts over the cost of metals used, together with the gold refining gain, was transferred to the credit of revenue of the Department of Finance, as follows: gain on coinage operations, \$5,040,000; and gold refining gain, \$30,000. In addition, there were revenues of \$171,000 for gold refining charges and \$189,000 for gold handling charges, making total revenues of \$5,430,000.

Expenditures totalling \$1,223,000 were charged to parliamentary appropriations, as follows: administration, operation and maintenance, \$1,156,000; and construction or acquisition of equipment, \$67,000.

The net result of these charges and credits, as reported in the Department of Finance section of the Public Accounts, was an excess of revenue over expenditure of \$4,207,000. Costs not reflected in the accounts include amortization of building and equipment costs, interest on funds employed, etc.

143. *Post Office activities.* The activities of the Post Office are carried on in accordance with the Post Office Act, c. 212, R.S.

The following is a summary of the Post Office transactions, reported as revenues, and as charges against parliamentary appropriations, in the Post Office section of the Public Accounts:

Gross postal revenue	\$ 193,593,000
Less: Expenses paid from revenue	26,031,000
Net postal revenue	167,562,000
Miscellaneous revenue	67,000
	<hr/> 167,629,000
Deduct: Expenditure paid from parliamentary appropriations	
Operations	\$ 101,351,000
Transportation	59,803,000
Administration, financial services, etc.	4,638,000
	<hr/> 165,792,000
Excess of Revenue over Expenditure	<hr/> <hr/> \$ 1,837,000

This recorded excess of revenue over expenditure does not, however, take into consideration charges for:

- (a) amortization of building construction costs (the cost of constructing new buildings is borne by appropriations for the Department of Public Works);
- (b) maintenance and operation of buildings (this cost is undertaken as a charge to appropriations for the Department of Public Works);
- (c) amortization of furniture and equipment cost (in lieu of charges presently included for purchases, against either Public Works or Post Office appropriations);
- (d) share of the Government's contributions towards employees' superannuation;
- (e) interest on funds employed;
- (f) interest on Post Office Savings Bank deposits (presently recorded as a charge to interest on the public debt);

nor credits for:

- (a) mail franked by and sent to Members of Parliament and government departments;
- (b) interest on Post Office Savings Bank funds on deposit with the Receiver General.

144. *Public Printing and Stationery activities.* The activities of the Department of Public Printing and Stationery are governed by the Public Printing and Stationery Act, c. 226, R.S., which places responsibility on the department for the execution of printing

and lithographing and the acquisition and distribution of papers, books and other articles of stationery required by the Senate and House of Commons and the various departments. In addition, the department is responsible for the sale of all books and publications issued by order of either or both Houses of Parliament or by any department.

The basic operating expenses of the Department of Public Printing and Stationery are charged to the Queen's Printer's Advance Account, and credits are made to the Account for the value of the printing work executed for and charged (at "factory cost") to the various government departments, and for the value of stationery supplied and charged (at purchase cost) to the departments. The following is a summary of the transactions in the Account for the year ended March 31, 1960:

Revenue:		
Printing work executed	\$ 15,522,000	
Stationery supplied	2,686,000	
		\$ 18,208,000
Expenditure:		
Salaries	1,189,000	
Wages	4,513,000	
Paper, printing material, etc., (including \$448,000 reduction in inventory)	3,683,000	
Outside printing, etc.	5,710,000	
Stationery purchased (including \$66,000 reduction in inventory)	2,667,000	
Other	266,000	
		18,028,000
Excess of revenue over expenditure, comprising \$161,000 on printing operations and \$19,000 on stationery transactions		\$ 180,000

In addition to the expenditure thus recorded through the Advance Account, there were expenses totalling \$3,467,000 charged to appropriations, as follows:

Departmental administration	\$ 642,000
Purchasing, stationery and stores (largely for salaries of purchasing personnel, and repairs to office equipment)	1,152,000
Distribution of official documents	429,000
Printing and binding of publications for sale and distribution to departments and the public	689,000
Printing of Canada Gazette	131,000
Printing and binding the annual Statutes	45,000
Plant equipment and replacements	379,000
	\$ 3,467,000

Credits to Revenue, in addition to the \$180,000 excess of revenue over expenditure on printing operations and stationery transactions (recorded through the Queen's Printer's Advance Account, as noted above) amounted to \$1,121,000, of which sales of publications to the general public accounted for \$863,000.

The net result of all the transactions thus reported in various places in the Public Accounts was an excess of expenditure over income of \$2,166,000 for the year ended March 31, 1960. This, however, was without taking into consideration any charges for building maintenance, amortization of building cost, amortization of equipment (in lieu of purchase cost), interest on funds employed, etc.

145. *Board of Grain Commissioners.* This Board operates under the authority of the Canada Grain Act, c. 25, R.S., as amended, for the purpose of regulating the grain trade in Canada, and it provides inspection, weighing and other services to owners of grain.

Revenues of the Board, included as Department of Trade and Commerce revenues, totalled \$2,605,000 for the year ended March 31, 1960, as follows: inspection, \$1,674,000; weighing, \$851,000; and other revenues, \$80,000. Expenditure paid from parliamentary appropriations during the year totalled \$4,403,000, consisting of \$3,817,000 for salaries and \$586,000 for other operating expenses. The excess of expenditure over revenue was, therefore, \$1,798,000.

In 1951-52 there was an excess of revenue over expenditure paid from annual appropriations of \$108,000, and in 1952-53 there was a similar excess of \$351,000. In 1953-54 there was a comparatively small excess of expenditure over revenue of \$188,000—but each year since then there has been an excess of expenditure over revenue of more than \$1 million.

We feel that further consideration should be given to the advisability of revising the tariff of fees payable for services rendered by the Board, with a view to closing the gap between the cost of the services and the fees charged.

146. *Canadian Government Elevators.* The Canadian Government Elevators are operated by the Board of Grain Commissioners under the provisions of Section 166 of the Canada Grain Act and comprise five interior terminal elevators located at Moose Jaw, Saskatoon, Calgary, Edmonton, Lethbridge and two terminal elevators located at Port Arthur and Prince Rupert.

The following is a summary of the elevator operations for the year ended March 31, 1960, as shown in the Operating Statement given in the Public Accounts, page AG-29:

Revenue:		
Storage	\$ 1,196,000	
Elevation	310,000	
Drying	229,000	
Cleaning	101,000	
Other	112,000	
		\$ 1,948,000
Expenditure:		
Salaries and wages	804,000	
Maintenance	446,000	
Other	303,000	
		1,553,000
Operating profit		395,000
Add: Miscellaneous revenue		9,000
Net Profit		\$ 404,000

The net profit of \$404,000 is without taking into consideration amortization of elevator construction costs, interest on the funds employed, etc.

147. *Operation of airports.* Ninety-two airports were in operation by the Department of Transport at the close of the year under review. The capital investment in these facilities totalled \$340,046,000, of which \$44,454,000 was added during 1959-60.

The following is a summary of the revenues for the year ended March 31, 1960 recorded as departmental revenues:

Aircraft landing fees:		
Domestic	\$ 1,804,000	
Trans-border	510,000	
Trans-oceanic	2,322,000	
Other	10,000	
		\$ 4,646,000
Rentals:		
Hangar	211,000	
Living quarters	398,000	
Office, shop and garage space	612,000	
Other	417,000	
		1,638,000
Concessions:		
Gasoline and oil	1,150,000	
Other	697,000	
		1,847,000
Miscellaneous		886,000
Total revenues		\$ 9,017,000

Charges to the parliamentary appropriation for "Airports and Other Ground Services—Operation and Maintenance" totalled \$16,678,000 for the year.

The excess of the expenditure (excluding new construction) on the operation of airways and airports over the revenues received, as thus reflected in the Department of Transport section of the Public Accounts, was therefore \$7,661,000 for the year under review. But this was without recording charges for amortization of airport construction costs, interest on funds employed or other costs (including portions of expenditure charged to general Air Services appropriations) which would have to be taken into consideration if it were desired to determine the actual net cost of operating the facilities.

148. In order that Parliament may gain a clear understanding of the true financial results of departmental operating activities, without disturbing the present basis of providing appropriations or of reporting expenditure charged thereto, consideration should be given to the inclusion, in a separate section of the Public Accounts, of financial statements of the various activities designed to reflect the operating results in a clear and

concise manner. Such operating statements could be adjusted to an accrual basis and would include charges (on a memorandum basis, in the case of non-cash charges) for amortization of building and equipment acquisition costs, interest on funds employed, services provided by other government departments, etc. A reconciliation could be prepared between the operating results reflected by each such statement and the cash results indicated by the related departmental revenues and charges to parliamentary appropriations. Balance sheets could then be prepared which, among other things, would indicate the value of the assets employed by the several activities at the year-end. If statements of this type were produced, the Auditor General would be prepared to examine and certify them.

Apart from their interest to Parliament each year in the Public Accounts, preparation of such statements annually would mean that they could be available at monthly or other short intervals, to the departmental managements responsible for the different operating activities, and as such they would be of considerable value to these managements in their internal administration. This has already been demonstrated in the case of airport operations where bi-monthly statements (which include charges for depreciation) are prepared on the accrual basis for administrative purposes throughout the year.

Special Statutory Audits and Examinations

149. In addition to the examinations of departmental accounts and the audits of the accounts of various Crown corporations, the following special audits and examinations were made by the Audit Office during the year in accordance with directions contained in various Statutes: Army Benevolent Fund, Canada Council, Exchange Fund Account, National Gallery of Canada, Public Printing and Stationery stores, The Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children, Royal Canadian Mint stocks and Yukon Territorial Government.

150. *Army Benevolent Fund.* The accounts of this Fund were examined for the year ended March 31, 1960 in accordance with the requirement of Section 11 of the Army Benevolent Fund Act, c.10, R.S., and the relative report was addressed to the Members of the Army Benevolent Fund Board constituted by the Act. The annual report of the Board is required to be laid before Parliament by the Minister of Veterans Affairs.

The receipts of the Fund for the year ended March 31, 1960 amounted to \$230,000, comprising \$217,000 for interest on the balance on deposit with the Receiver General and \$12,000 for interest on investments held for the Fund, together with approximately \$1,000 for sundry receipts. The expenditures totalled \$548,000, consisting of \$480,000 of grants to or on behalf of World War II veterans and \$68,000 for service and administrative expenses. The last-mentioned amount was after applying a grant of \$18,000 from an appropriation of the Department of Veterans Affairs.

After absorbing the \$318,000 excess of disbursements over receipts, the balance at credit of the Fund at the close of the year under review was \$6,863,000.

151. *Canada Council.* The accounts and financial transactions of the Canada Council were audited for the year ended March 31, 1960, and the relative report was addressed to the Council and to the Prime Minister in accordance with the direction contained in Section 22 of the Canada Council Act, c.3, 1957. The annual report of the Council, containing the audit report, is required to be laid before Parliament under Section 23 of the Act.

Income earned on investments held for the Endowment Fund amounted to \$2,856,000 during the year under review. Expenditures totalled \$2,929,000, comprising \$2,512,000 for authorized grants and awards, \$354,000 for administration, \$34,000 for outlays made on behalf of the Canadian National Commission for UNESCO and \$29,000 for the Canada Council Train. After deducting the \$73,000 excess of expenditures over income during the year from an opening balance of \$570,000, there remained a surplus of \$497,000 available at the year-end for expenditure under Section 16 of the Act.

The following is a summary of the transactions relating to the University Capital Grants Fund for the year ended March 31, 1960:

Balance at April 1, 1959	\$ 42,433,000
Add:	
Interest earned on investments	\$ 1,967,000
Less: Net loss on disposal of securities	458,000
	<hr/>
	1,509,000
	<hr/>
	43,942,000
Deduct: Authorized grants made under Section 9 of the Act	9,344,000
	<hr/>
Balance at March 31, 1960	\$ 34,598,000
	<hr/>

152. *Exchange Fund Account.* The accounts of the Exchange Fund for its financial year ended December 31, 1959, were examined pursuant to the requirement of Section 27 of the Currency, Mint and Exchange Fund Act, c.315, R.S., and the relative report was addressed to the Minister of Finance in accordance with established practice. The section requires that a special certificate be given annually to Parliament and, in accordance with that requirement, it is certified that the transactions in connection with the Account for the year ended December 31, 1959 have been in accordance with the provisions of the Act, and that the records showed truly and clearly the state of the Account at the year-end. Section 26 of the Act requires that the Minister of Finance report annually to Parliament on the operations of the Account.

The following is a summary of the transactions of the Exchange Fund Account for its financial year ended December 31, 1959:

Balance at January 1, 1959		\$ 2,010,125,000
Deduct:		
Paid into the Consolidated Revenue Fund in respect of 1958 earnings	\$ 18,625,000	
Repayment of advances (net)	47,500,000	
		<u>66,125,000</u>
		1,944,000,000
Add:		
Earnings on investments for the year ended December 31, 1959 (to be paid into the Consolidated Revenue Fund)		25,513,000
Balance at December 31, 1959		<u><u>\$ 1,969,513,000</u></u>

153. *National Gallery of Canada.* The accounts and financial statements of the Gallery for the year ended March 31, 1960 were examined in accordance with the requirement of Section 9 of the National Gallery Act, c.186, R.S. The annual report of the Board of Trustees, including the Auditor General's report, is required to be laid before Parliament by the Minister of Citizenship and Immigration.

The expenditures of the Gallery are largely met from annual parliamentary appropriations provided for the purpose. However, there is provision in the Act for a Special Operating Account to which may be credited money received by the Board of Trustees by way of donation, bequest or revenue, and out of which expenditures may be made additional to those paid from appropriations. There is also an account called the National Gallery Purchase Account to which are credited moneys appropriated by Parliament for the purpose of acquiring works of art, and to which are charged expenditures for the acquisition of such works.

The expenditures of the Gallery for the year under review totalled \$751,000, of which \$739,000 was provided from parliamentary appropriations, \$10,000 from the Special Operating Account and \$2,000 from the National Gallery Purchase Account. These expenditures comprised \$723,000 for operating expenses, \$27,000 for purchases of works of art, and \$1,000 for expenditures from trust funds.

Revenue amounting to \$27,000 consisting of sales of \$17,000, fees of \$8,000 and miscellaneous receipts of \$2,000 was credited to the Special Operating Account, which had a balance of \$31,000 at the year-end.

154. *Public Printing and Stationery stores.* Section 34 of the Public Printing and Stationery Act, c. 226, R.S., requires the Auditor General to "annually, or more frequently at his discretion, cause the stock of stationery, printing materials and supplies in store, to be checked with the quantities purchased and supplied". During the year

under review, tests were made to establish that the controls exercised by the department with respect to stores were operating satisfactorily. In addition, we participated in the annual physical stocktaking made by departmental personnel. A report on the examination was addressed to the Secretary of State.

The stocks of stationery, printing materials and supplies held by the department at March 31, 1960 amounted to \$2,571,000, including: supplies, \$711,000; typewriter and office machine parts, \$109,000; and miscellaneous items, \$29,000 (on charge to the Stationery Branch), and: paper, \$470,000; work in process, \$333,000; printing and maintenance supplies, \$513,000; field unit stock, \$343,000; and miscellaneous items, \$63,000 (on charge to the Printing Branch).

155. *The Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children.* This Fund was established on July 8, 1959 by the Queen Elizabeth II Canadian Research Fund Act, c.33, 1959, and the accounts of the Fund were audited in accordance with Section 14 of the Act. Section 15 requires that the annual report of the Board of Trustees, including the Auditor General's report, be laid before Parliament by the Prime Minister.

As provided by Section 4 of the Act, a sum of \$1,000,000 was paid into the Fund by the Minister of Finance. Interest earned on investments totalling \$14,000 and gifts by the public amounting to \$3,487 were received and credited to the Fund during the period ended March 31, 1960. After providing \$29,000 for awards authorized under Section 3 of the Act, a balance of \$988,000 remained at the credit of the Fund at March 31, 1960.

156. *Royal Canadian Mint stocks.* The Royal Canadian Mint is a branch of the Department of Finance and its revenues and expenditures are accordingly audited as part of the departmental revenues and expenditures. However, Section 20 of the Currency, Mint and Exchange Fund Act, c.315, R.S., requires that the Auditor General shall "at least once in each year inspect the store of bullion and coin at the Mint". Such an inspection was made during the year under review and a report thereon is being addressed to the Minister of Finance.

The stocks of bullion and metals at cost, and coin at face value, held by the Mint at March 31, 1960 amounted to \$11,503,000, comprising: gold, \$4,393,000; silver, \$6,622,000; nickel, \$193,000; bronze, \$290,000; and steel, \$5,000.

157. *Yukon Territorial Government.* The accounts relating to the receipt and expenditure of Yukon Territorial Funds and to expenditures from parliamentary appropriations for the Territory were examined for the year ended March 31, 1960 in accordance with the requirement of Section 26 of the Yukon Act, c.53, 1952-53. An audit report is being addressed to the Commissioner in Council of the Yukon Territory, with a copy being forwarded to the Minister of Northern Affairs and National Resources, in accordance with established practice.

The revenues of the Yukon Territorial Government for the year ended March 31, 1960 totalled \$2,456,000, including: liquor profits, \$808,000; tax revenue, \$535,000; federal subsidies and grants, \$458,000; school attendance fees, \$194,000; and licence revenues, \$171,000. Net expenditures, after offsetting recoveries, totalled \$2,671,000, including: projects classed as "capital", \$902,000; education, \$632,000; health and welfare, \$343,000; roads, bridges and public works, \$328,000; and municipal and town administration, \$206,000. The excess of expenditures over revenues for the year was \$215,000. Loans payable to the Government of Canada at March 31, 1960 amounted to \$2,281,000, a decrease of \$106,000 in the year.

* * *

The past year has seen the retirement of two of my Audit Supervisors in the persons of Mr. B. R. King and Mr. W. H. Casselman. Mr. King joined the staff in 1924 and retired on May 16, 1960 while Mr. Casselman retired on October 18, 1960 after 45 years' service. Throughout their long periods of service with the Audit Office they maintained excellent working relationships with the various departments and were held in high regard by all members of our staff. We wish them much happiness in their well earned retirement.

In concluding this report, I would like to record my appreciation to all members of the staff of the Audit Office for their loyalty and devotion to duty during the past year, and in particular to Mr. Ian Stevenson, the Assistant Auditor General, and to my Audit Supervisors, Mr. B. A. Millar, Mr. G. R. Long, Mr. A. B. Stokes, Mr. D. A. Smith and Mr. J. R. Douglas.

A. M. HENDERSON,

Auditor General of Canada.

November 14, 1960.

APPENDICES

Statement of Expenditure and Revenue for the Fiscal Year ended March 31, 1960..	Appendix 1
Statement of Assets and Liabilities as at March 31, 1960	Appendix 2
Summary of Appropriations, Expenditure and Unexpended Balances, by Departments, for the year ended March 31, 1960	Appendix 3
Summary of Expenditure, by Standard Objects, for the year ended March 31, 1960, with Comparative Figures for the Preceding Fiscal Year	Appendix 4
Summary of Revenue, by Departments, for the year ended March 31, 1960	Appendix 5

THE GOVERNMENT
STATEMENT OF EXPENDITURE AND REVENUE FOR
(with comparative figures for
EXPENDITURE

	Fiscal year ended	
	March 31, 1960	March 31, 1959
Agriculture.....	\$ 181,389,595	\$ 165,841,962
Atomic Energy.....	30,114,125	26,136,051
Auditor General's Office.....	866,879	826,681
Board of Broadcast Governors.....	218,652	46,833
Canadian Broadcasting Corporation.....	63,945,994	62,017,601
Chief Electoral Officer.....	259,599	3,221,123
Citizenship and Immigration.....	54,916,725	52,843,669
Civil Service Commission.....	3,654,664	3,511,558
Defence Production.....	17,600,214	13,843,622
External Affairs.....	96,895,469	75,486,493
Finance—		
Public debt charges.....	783,462,191	648,026,486
Tax-sharing, subsidy and other payments to provinces.....	518,900,813	467,006,053
Other expenditure.....	117,792,124	113,172,742
	<u>1,420,155,128</u>	<u>1,228,205,281</u>
Fisheries.....	19,880,914	17,506,475
Governor General and Lieutenant-Governors.....	421,083	412,469
Insurance.....	1,237,533	1,224,160
Justice.....	27,845,868	24,345,475
Labour.....	102,885,123	86,755,801
Legislation.....	7,669,237	7,626,868
Mines and Technical Surveys.....	54,432,381	43,788,537
National Defence—		
Royal Canadian Navy.....	255,835,374	235,520,514
Canadian Army.....	400,818,599	393,191,901
Royal Canadian Air Force.....	728,442,093	637,526,704
Defence research and development.....	39,183,489	74,359,663
Other expenditure.....	90,624,777	84,141,977
	<u>1,514,904,332</u>	<u>1,424,740,759</u>
National Film Board.....	4,555,417	4,258,905
National Gallery.....	739,148	646,433
National Health and Welfare—		
Family allowances.....	491,214,359	474,787,068
Other expenditure.....	327,156,553	398,130,073
	<u>818,370,912</u>	<u>872,917,141</u>
National Research Council.....	31,501,387	25,405,644
National Revenue.....	68,696,069	68,787,837
Northern Affairs and National Resources.....	81,111,576	65,176,832
Post Office.....	165,792,340	157,803,478
Privy Council.....	1,417,903	1,071,810
Public Archives and National Library.....	745,329	720,044
Public Printing and Stationery.....	3,466,734	3,451,428
Public Works.....	217,876,413	226,061,039
Royal Canadian Mounted Police.....	52,444,264	51,734,621
Secretary of State.....	4,655,356	4,364,883
Trade and Commerce.....	67,442,840	65,636,032
Transport.....	296,446,971	288,837,764
Veterans Affairs—		
Pensions.....	149,656,053	150,725,904
Other expenditure.....	138,648,826	138,058,320
	<u>288,304,879</u>	<u>288,784,224</u>
Total expenditure.....	<u>5,702,861,053</u>	<u>5,364,039,533</u>
Budgetary surplus or deficit (—).....	<u>-413,109,844</u>	<u>-609,316,844</u>
	5,289,751,209	4,754,722,689

NOTE—At the beginning of Part II a summarized statement of expenditure by standard objects and departments for 1959-60 is presented.

H. R. BALLS,
Comptroller of the Treasury.

K. W. TAYLOR,
Deputy Minister of Finance.

(The statements referred to in the footnotes are to be found at pages 4 to 11 of Part II
of the Public Accounts.)

APPENDIX 1

(Auditor General's Report)

OF CANADA

THE FISCAL YEAR ENDED MARCH 31, 1960

the preceding fiscal year)

REVENUE

	Fiscal year ended	
	March 31, 1960	March 31, 1959
Tax revenues—		
Income tax—		
Personal ⁽¹⁾	\$1,566,643,704	\$1,353,499,314
Corporation ⁽¹⁾	1,142,879,702	1,020,550,164
On dividends, interest, etc., going abroad	73,353,360	61,213,291
Excise taxes—		
Sales tax ⁽¹⁾	732,658,330	694,490,787
Other	286,567,808	240,623,778
Customs duties	525,722,158	486,508,581
Excise duties	335,207,406	316,744,269
Estate tax ⁽²⁾	88,430,705	72,535,140
Tax on insurance premiums	18,180	22,602
Miscellaneous	858,585	1,190,600
	<u>4,752,339,938</u>	<u>4,247,578,526</u>
Non-tax revenues—		
Return on investments	239,653,687	221,203,583
Post Office—net postal revenue	167,562,354	157,540,804
Refunds of previous years' expenditure	40,630,026	37,663,439
Services and service fees	31,298,623	27,195,002
Proceeds from sales	21,891,546	23,521,331
Privileges, licences and permits	24,969,835	27,883,455
Bullion and coinage	5,429,778	4,454,630
Premium, discount and exchange		1,017,858
Miscellaneous	5,975,422	6,864,061
	<u>537,411,271</u>	<u>507,344,163</u>

⁽¹⁾ Excluding tax credited to the old age security fund—

	1959-60	1958-59
Personal income tax	185,550,000	146,350,000
Corporation income tax . . .	91,336,000	55,328,000
Sales tax	270,000,055	173,622,697

⁽²⁾ Includes Succession Duties.

Total revenue	5,289,751,209	4,754,722,689
---------------------	---------------	---------------

NOTE—At the beginning of Part II a summarized statement of revenue by main classifications and departments for 1959-60 is presented.

Auditor General's Certificate

The above statement has been examined in accordance with the provisions of the Financial Administration Act. I have obtained all the information and explanations that I have required, and I certify that the statement is in agreement with the accounts maintained by the Department of Finance, and is, in my opinion, correct, subject to the comments in my report to the House of Commons.

A. M. HENDERSON,
Auditor General.

THE GOVERNMENT

STATEMENT OF ASSETS AND

(with comparative figures)

ASSETS			
	March 31, 1960	March 31, 1959	Net increase or decrease (—) during 1959-60
1. Current assets—			
(a) Cash, schedule A, page 102...	\$ 565,436,461	\$ 640,459,071	\$ -75,022,610
(b) Departmental working capital advances and revolving funds, schedule B, page 102.....	196,010,004	151,982,104	44,027,900
(c) Securities held for the securities investment account, at amortized cost.....	77,862,926	98,030,754	-20,167,828
(d) Other current assets, schedule C, page 103.....	22,837,203	20,471,784	2,365,419
	862,146,594	910,943,713	-48,797,119
2. Advances to the exchange fund account (value of investments from advances on basis of closing exchange rates: March 31, 1960, \$1,746,305,383; March 31, 1959, \$1,798,268,160)...	1,960,000,000	1,995,000,000	-35,000,000
3. Sinking fund and other investments held for retirement of unmatured debt, schedule D, page 103.....	85,272,230	83,214,185	2,058,045
4. Loans to, and investments in, Crown corporations, schedule E, page 104.....	3,446,661,546	3,271,060,958	175,600,588
5. Loans to national governments, schedule F, page 105.....	1,414,527,922	1,448,960,511	-34,432,589
6. Other loans and investments, schedule G, page 105—			
(a) Subscriptions to capital of, and working capital advances and loans to, international organizations.....	605,174,878	369,916,415	235,258,463
(b) Loans to provincial governments.....	90,396,788	96,338,853	-5,942,065
(c) Veterans land act advances (less reserve for conditional benefits).....	151,626,032	151,000,010	626,022
(d) Miscellaneous.....	87,273,714	65,800,331	21,473,383
	934,471,412	683,055,609	251,415,803
7. Securities held in trust, schedule H, page 107.....	30,611,723	20,742,062	9,869,661
8. Deferred charges—			
Unamortized loan flotation costs, appendix No. 7, page 130.....	150,993,027	147,430,776	3,562,251
9. Unamortized portion of actuarial deficiencies—			
Canadian forces superannuation account.....	326,300,000	326,300,000	—
Public service superannuation account.....	139,000,000	139,000,000	—
	465,300,000	465,300,000	—
10. Suspense accounts, schedule I, page 108.....	33,300	2,465	30,835
11. Capital assets.....	1	1	—
12. Inactive loans and investments, schedule J, page 108.....	93,539,317	92,215,718	1,323,599
TOTAL ASSETS.....	9,443,557,072	9,117,925,998	325,631,074
13. Less: Reserve for losses on realization of assets.....	-546,384,065	-546,384,065	—
NET ASSETS.....	8,897,173,007	8,571,541,933	325,631,074
14. Net debt, represented by excess of liabilities over assets, schedule K, page 108.....	12,089,194,003	11,678,389,860	410,804,143
	20,986,367,010	20,249,931,793	736,435,217

NOTE—The increase in net debt of \$410,804,143 reflects the budgetary deficit of \$413,109,844 less an adjustment of \$2,305,701 in respect of prior years' transactions.

H. R. BALLS,
Comptroller of the Treasury.

K. W. TAYLOR,
Deputy Minister of Finance.

(The schedules referred to in the above Statement are to be found in the Public Accounts at the pages indicated.)

APPENDIX 2

(Auditor General's Report)

OF CANADA

LIABILITIES AS AT MARCH 31, 1960

as at March 31, 1959)

LIABILITIES

	March 31, 1960	March 31, 1959	Net increase or decrease (—) during 1959-60
15. Current and demand liabilities, schedule L, page 109—			
(a) Outstanding treasury cheques.....	\$ 228,768,468	\$ 247,305,080	\$ —18,536,612
(b) Accounts payable (that portion paid in April of the next following fiscal year).....	245,099,099	256,401,698	—11,302,599
(c) Non-interest bearing notes payable to the international monetary fund and the international bank for recon- struction and development.....	381,828,500	205,828,500	176,000,000
(d) Matured debt outstanding.....	20,067,997	28,743,983	—8,675,986
(e) Interest due and outstanding.....	57,690,734	56,214,613	1,476,121
(f) Interest accrued.....	137,622,473	124,892,689	12,729,784
(g) Other current liabilities.....	27,979,624	33,173,039	—5,193,415
	1,099,056,895	952,559,602	146,497,293
16. Deposit and trust accounts, schedule M, page 110.....	242,673,334	237,917,457	4,755,877
17. Annuity, insurance and pension accounts, schedule N, page 113..	3,565,375,649	3,301,861,032	263,514,617
18. Undisbursed balances of appropriations to special accounts, schedule O, page 113.....	96,619,964	83,386,633	13,233,331
19. Deferred credits, schedule P, page 113.....	83,961,190	81,429,095	2,532,095
20. Suspense accounts, schedule Q, page 114.....	8,528,175	18,664,471	—10,136,296
21. Unmatured debt, schedule R, page 115—			
(a) Bonds.....	13,765,151,803	13,979,113,503	—213,961,700
(b) Treasury bills.....	2,125,000,000	1,595,000,000	530,000,000
	15,890,151,803	15,574,113,503	316,038,300

TOTAL LIABILITIES.....	20,986,367,010	20,249,931,793	736,435,217
------------------------	----------------	----------------	-------------

NOTE—Indirect or contingent liabilities consisting of securities guaranteed by, or other guarantees given by the Government of Canada, are listed on page 117.

Auditor General's Certificate

The above statement has been examined in accordance with the provisions of the Financial Administration Act. I have obtained all the information and explanations that I have required, and I certify that the statement is in agreement with the accounts maintained by the Department of Finance, and is, in my opinion, correct, subject to the comments in my report to the House of Commons.

A. M. HENDERSON,
Auditor General.

APPENDIX 3

(Auditor General's Report)

SUMMARY OF APPROPRIATIONS, EXPENDITURE AND UNEXPENDED BALANCES BY DEPARTMENTS FOR THE YEAR ENDED MARCH 31, 1960

Section	Department	Appropriations	Expenditure	Unexpended Balances	
				Lapsed	Carried Forward ⁽¹⁾
		\$	\$	\$	\$
A	Agriculture.....	192,087,514	181,389,595	10,697,919	
B	Atomic Energy.....	32,092,300	30,114,125	1,978,175	
C	Auditor General's Office.....	883,502	866,879	16,623	
D	Board of Broadcast Governors.....	223,889	218,652	5,237	
E	Canadian Broadcasting Corporation.....	69,641,975	63,945,994	5,695,981	
F	Office of the Chief Electoral Officer.....	265,599	259,599	6,000	
G	Citizenship and Immigration.....	57,663,579	54,916,725	2,746,854	
H	Civil Service Commission.....	3,765,961	3,654,664	111,297	
I	Defence Production.....	23,888,095	17,600,214	6,287,881	
J	External Affairs.....	112,196,264	96,895,469	14,810,693	490,097
K	Finance.....	1,433,876,465	1,420,155,128	13,721,337	
L	Fisheries.....	21,645,789	19,880,914	1,764,875	
M	Governor General and Lieutenant-Governors.....	437,015	421,083	15,932	
N	Insurance.....	1,283,703	1,237,533	46,170	
O	Justice.....	8,252,620	8,126,216	126,404	
O	Office of the Commissioner of Penitentiaries.....	20,868,484	19,719,652	1,148,832	
P	Labour.....	128,094,306	102,885,123	10,583,818	14,625,365
Q	Legislation.....	7,781,304	7,669,237	112,067	
R	Mines and Technical Surveys.....	57,341,868	54,432,381	2,909,487	
S	National Defence.....	1,680,183,608	1,514,904,332	165,279,276	
T	National Film Board.....	4,555,736	4,555,417	319	
U	National Gallery of Canada.....	914,640	739,148	175,492	
V	National Health and Welfare.....	824,652,626	818,370,912	6,281,714	
W	National Research Council.....	31,733,580	31,501,387	232,193	
X	National Revenue.....	72,612,972	68,696,069	3,916,903	
Y	Northern Affairs and National Resources.....	89,998,683	81,111,576	8,887,107	
Z	Post Office.....	168,709,995	165,792,340	2,917,655	
AA	Privy Council.....	1,628,143	1,417,903	210,240	
AB	Public Archives and National Library.....	771,149	745,329	25,820	
AC	Public Printing and Stationery.....	3,535,946	3,466,734	69,212	
AD	Public Works.....	239,748,745	217,876,413	21,872,332	
AE	Royal Canadian Mounted Police.....	54,508,381	52,444,264	2,064,117	
AF	Secretary of State.....	4,737,852	4,655,356	82,496	
AG	Trade and Commerce.....	68,546,822	67,442,840	1,103,982	
AH	Transport.....	317,267,346	287,768,882	29,498,464	
AH	Canadian Maritime Commission.....	6,856,842	6,724,748	132,094	
AH	National Harbours Board.....	4,222,464	1,953,341	2,269,123	
AI	Veterans Affairs.....	298,560,310	288,304,879	10,255,431	
		6,046,036,072	5,702,861,053	328,059,557	15,115,462

⁽¹⁾ Available for expenditure in 1960-61.

H. R. BALLS,
Comptroller of the Treasury.

Auditor General's Certificate

The accounts relating to the expenditures which are included in the above statement have been examined under my direction and, subject to the comments in my report to the House of Commons, made in accordance with the provisions of the Financial Administration Act, I certify that, in my opinion, the statement is correct.

A. M. HENDERSON,
Auditor General.

(The sections referred to in the above Summary are to be found in the Public Accounts.)

APPENDIX 4
(Auditor General's Report)

**SUMMARY OF EXPENDITURE BY STANDARD OBJECTS
FOR THE YEAR ENDED MARCH 31, 1960
WITH COMPARATIVE FIGURES FOR THE PRECEDING FISCAL YEAR**
(in millions of dollars)

	1959-60	1958-59	Increase or Decrease (-)
Civil salaries and wages.....	\$ 710.4	\$ 693.9	\$ 16.5
Civilian allowances.....	14.1	11.1	3.0
Pay and allowances, defence forces and R.C.M. Police.....	498.1	491.2	6.9
Professional and special services.....	89.0	93.1	— 4.1
Travelling and removal expenses.....	62.1	58.2	3.9
Freight, express and cartage.....	12.6	11.9	.7
Postage.....	5.7	5.7	.0
Telephones, telegrams and other communication services.....	17.5	16.8	.7
Publication of departmental reports and other material.....	8.6	7.8	.8
Exhibits, advertising, films, broadcasting and displays.....	11.8	11.8	.0
Office stationery, supplies, equipment and furnishings.....	22.2	19.4	2.8
Materials and supplies.....	162.5	180.6	— 18.1
Buildings and works, including land—			
Construction or acquisition.....	344.6	330.4	14.2
Repairs and upkeep.....	49.8	50.6	— .8
Rentals.....	15.9	16.1	— .2
Equipment—			
Construction or acquisition.....	335.9	472.2*	—136.3
Repairs and upkeep.....	162.5	158.5	4.0
Rentals.....	5.1	4.2	.9
Municipal or public utility services.....	48.5	45.0	3.5
Contributions, grants, subsidies, etc. not included elsewhere.....	479.6	462.2	17.4
Pensions, superannuation and other benefits.....	109.7	105.7	4.0
All other expenditures (other than special categories).....	66.9	250.5	—183.6
Interest on public debt, etc.....	783.5	648.0	135.5
Subsidies and special payments to the Provinces.....	518.9	467.0	51.9
Family allowances payments.....	491.2	474.8	16.4
Old age assistance, blind persons and disabled persons allowances and unemployment assistance.....	90.8	73.7	17.1
Veterans' disability pensions, etc.....	149.7	150.7	— 1.0
Other payments to veterans and dependents.....	70.2	67.4	2.8
Government's contribution to the Unemployment Insurance Fund.....	45.7	37.1	8.6
Hospital insurance and general health grants.....	196.6	100.6	96.0
Trans-Canada highway contributions.....	53.3	51.1	2.2
Movement of mail by land, air and water.....	59.3	55.6	3.7
Deficits—Government-owned enterprises.....	52.1	60.7	— 8.6
	\$ 5,744.4	\$ 5,683.6	\$ 60.8
Less: Expenditure recovered.....	41.5	319.6*	—278.1
Net Total Expenditure.....	\$ 5,702.9	\$ 5,364.0	\$ 338.9

*For comparative purposes, the \$212 million of defence equipment which was charged to the National Defence Equipment Account in 1958-59 is included in the \$472.2 million shown for construction or acquisition of equipment in that year, a corresponding increase being made in the amount shown for "expenditure recovered".

APPENDIX 5
(Auditor General's Report)

SUMMARY OF REVENUE BY DEPARTMENTS FOR THE YEAR ENDED MARCH 31, 1960

Section	Department	Tax Revenue	Non-Tax Revenue	Total
		\$	\$	\$
A	Agriculture.....		4,589,467	4,589,467
B	Atomic Energy.....		217,890	217,890
C	Auditor General's Office.....		4,719	4,719
D	Board of Broadcast Governors.....		1,119	1,119
E	Canadian Broadcasting Corporation.....		3,324,062	3,324,062
F	Office of the Chief Electoral Officer.....		400	400
G	Citizenship and Immigration.....		1,565,281	1,565,281
H	Civil Service Commission.....		149	149
I	Defence Production.....		14,842,950	14,842,950
J	External Affairs.....		2,697,458	2,697,458
K	Finance.....		188,430,598	188,430,598
L	Fisheries.....		832,334	832,334
N	Insurance.....	18,179	631,883	650,062
O	Justice.....		194,059	194,059
O	Office of the Commissioner of Penitentiaries.....		724,268	724,268
P	Labour.....		169,138	169,138
Q	Legislation.....		145,921	145,921
R	Mines and Technical Surveys.....		923,202	923,202
S	National Defence.....		22,797,471	22,797,471
T	National Film Board.....		156,792	156,792
U	National Gallery of Canada.....		893	893
V	National Health and Welfare.....		3,197,185	3,197,185
W	National Research Council.....		22,752	22,752
X	National Revenue.....	4,751,463,174	1,566,557	4,753,029,731
Y	Northern Affairs and National Resources.....	2,515	6,558,784	6,561,299
Z	Post Office.....		167,629,053	167,629,053
AA	Privy Council.....		5,568	5,568
AB	Public Archives and National Library.....		7,938	7,938
AC	Public Printing and Stationery.....		1,300,711	1,300,711
AD	Public Works.....		51,671,476	51,671,476
AE	Royal Canadian Mounted Police.....		11,731,231	11,731,231
AF	Secretary of State.....		2,697,015	2,697,015
AG	Trade and Commerce.....	856,070	16,486,723	17,342,793
AH	Transport.....		24,559,665	24,559,665
AI	Veterans Affairs.....		7,726,559	7,726,559
		4,752,339,938	537,411,271	5,289,751,209

H. R. BALLS,
Comptroller of the Treasury.

Auditor General's Certificate

The accounts relating to the revenues which are included in the above statement have been examined under my direction and, subject to the comments in my report to the House of Commons, made in accordance with the provisions of the Financial Administration Act, I certify that, in my opinion, the statement is correct.

A. M. HENDERSON,
Auditor General.

(The sections referred to in the above Summary are to be found in the Public Accounts.)

